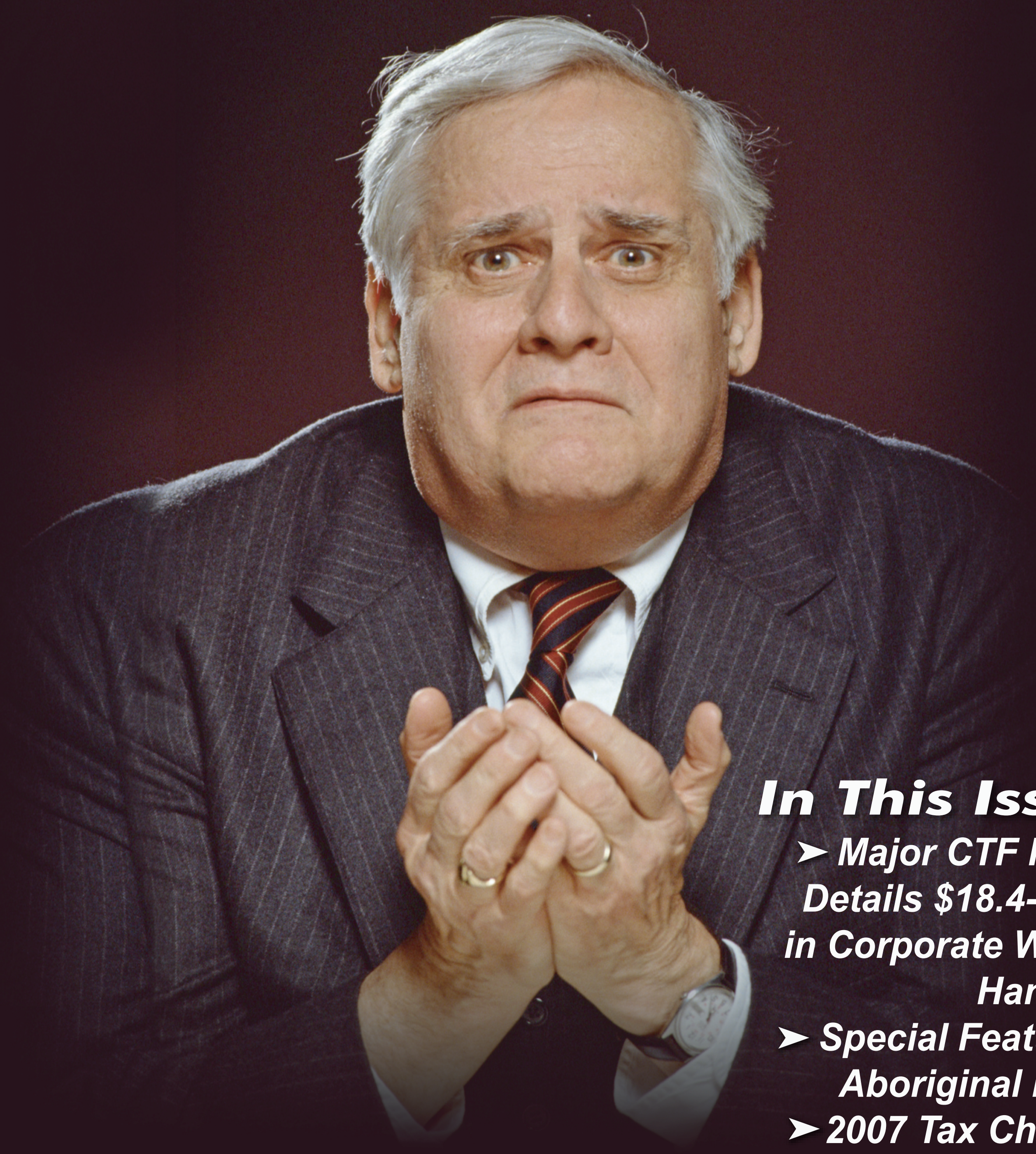
CANADIAN Taxpayers FEDERATION
Fighting for taxpayers

THE TAXPAYER

Jan/Feb 2007 Publications Mail Agreement 40063310

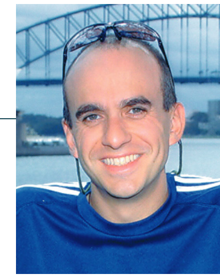
ON THE DOLE



In This Issue:

- ➤ Major CTF Report Details $18.4-billion in Corporate Welfare Handouts
- ➤ Special Feature on Aboriginal Issues
- ➤ 2007 Tax Changes

From the editor



Troy Lanigan is the CTF's
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School Yard Name Calling

At age 17, your CTF is a bit like the high school graduate that has heard pretty much every school yard taunt imaginable.

There's the familiar "right wing extremists" or as former B.C. premier Glen Clark once barked "right wing whackos." I never understood how suggesting citizens in a free country be allowed to keep more than half of what they earn "extreme" or "whacko." But alas, who are we to question the more enlightened of the world.

Then there's the accusation of "advancing the corporate agenda." Ironically, we're still waiting for a fat donation from the people we supposedly represent. Don't suppose the cover story of this issue of *The Taxpayer* is going to help matters any.

"Your CTF has been accused of being the stalking horse of every political party in Canada."

Of course, your CTF's foray into aboriginal issues earned the predictable rebuke of "racist." The *Saskatoon Star Phoenix* went further actually publishing an editorial in April, 2000, saying we use "white supremacist" language. Today, our views on native issues are mainstream.

Or how about former Reform MP Jim Hart who referred to the CTF as "brown shirts" in response to our calculation of his MP pension benefits in August 1998. Canadian Labour Congress president Ken Georgetti attempted to top that by dubbing your CTF "Stalinist." It all borders on comedic really.

Yet, none of this colourful name calling tops the most frequent sneer that your CTF is a band of partisans.

If I had a dime for every time a federal Grit accused us of being Tories over the past decade we could shut down the CTF's fundraising division altogether. Of course, not everyone agrees who we shill for. Former Alberta Conservative Premier Ralph Klein was convinced we were Liberals. And Saskatchewan's former Conservative Premier Grant Devine once declared we were "the research branch of the NDP!"

See a trend here?

Your CTF has been accused of being the stalking horse of every political party in Canada. Most of the time, it's a diversion: attack the messenger to blunt our common sense message.

Your CTF has influence *because* we are non-partisan. We support policies that are taxpayer-friendly full stop. We demand that politicians that make campaign promises, keep them. No government or party gets a free ride simply because they are different from the last bunch in power.

When we issue a challenge – like signing a pledge – we hand it to all political parties. And we meet with representatives on both sides of the House of Commons and provincial legislatures to press our mission of lower taxes, less waste and accountable government.

And when warranted, we also commend governments on initiatives. But more often than not, even when a government *is* moving in the right direction it's important to have a voice saying "go further" to counterbalance Big Government advocates on the other side of the debate.

The name calling will continue. But with our school yard stripes earned, most observers recognize who has credibility and who doesn't.

The Canadian Taxpayers Federation is a federally incorporated non-profit and non-partisan organization dedicated to lower taxes, less waste and accountable government. Founded in 1990, the Federation is independent of all partisan or institutional affiliations and is entirely funded by free-will, non-tax receiptable contributions. All material is copyrighted. Permission to reprint can be obtained by writing the admin office. Editorial cartoons are used by permission. Printed in Canada.

Canadian Taxpayers Federation
Fighting for taxpayers

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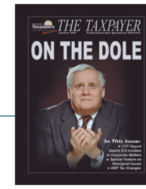

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Letters-to-the-editor

"Not" Tatooing More expensive

I am deeply concerned that the Tories recent abolishment of the Tattoo Program for federal inmates (bolstered by CTF support) is a grave mistake.

I am not speaking from the concerns of the prisoners, but strictly from the point of view of the taxpayer. HIV and Hepatitis C infection rates are extremely high in prisons. Removing this program will only exacerbate the problem, resulting in much higher costs for treatment of newly infected individuals -- costs, I fear, that will far exceed the cost of providing tattoo facilities to inmates. Although free tattoos on the face of it seems like a frivolous expense, in the long run, I believe a small cost now will prevent much larger costs in the future.

Michael Barrie
Vancouver, BC

Mileage Allowances

The payment of mileage allowances of 40 to 50 cents or more per kilometer by municipal, provincial and federal governments to compensate employees for use of their personal vehicles represents a substantial misuse of taxpayers' money.

The principal flaw is failing to differentiate between the costs of operating a vehicle, which represents a legitimate expense of driving, and the costs of owning a vehicle (such as insurance, depreciation and interest).

Most of the current mileage payment is subsidizing vehicle ownership, not compensating drivers for their actual cost of driving. Given that every level of government, from school boards to federal agencies, is paying these subsidies to their employees, the total annual amount must be substantial.

I see two options. One is to mandate that mileage payments reflect the actual costs of driving. The second option would be to classify all mileage payments in excess of say, 20 cents/km, as income and include it on T4 slips.

John Tate
Treherne, MB

Spending, spending and more spending

Just when I think I can't be surprised anymore I read that taxpayers are funding a study about computers and cons. Here, save our money: cons shouldn't have computers. Maybe in the prison library, but that's it.

I have two daughters in grade school and they don't have computers in their classroom, they have to use the three in the library. So why don't we take the money we were going to use for this study, and for the possible purchase of computers for cons, and give it to the schools instead?

Karen Crate
Keswick, ON

The war that broke out between Israel and Hezbollah in Lebanon cost taxpayers 85 million to fly 'dual citizens' back to Canada where they receive all our social services, etc. They just live here part time and do very little in any manner to contribute to our country. Those millions of tax dollars would be better spent supporting young Canadians trying to finance an education. Keep up the great work!

Mrs. Thompson
Thompson, MB

As a taxpayer, I am offended that Tim Hortons has been given 4-million of our tax dollars plus an additional $5-million per year to supply our "troops" currently involved in an unjust war (my opinion).

CTV reported that "In 2005, Tim Hortons earned

Letters-to-the-editor

Letters may be edited for length, content and clarity.
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a profit of $191.1 million on sales of $1.48 billion." Therefore, this $4 million dollar gift represents greater than 2% of total Tim Horton's yearly profit. Next year this will increase to 3% (based on the $5,000,000 estimate), and as far as I know they are charging the troops for their coffee and donuts!

With this, Tim Hortons is getting loads of free press as well as a free corporate good guy sticker to boot. Outrageous!

Robert Watts
Vancouver, BC

I am writing in response to pay increases for municipal, provincial and federal politicians. Every year we are faced with this outrageous practice and it is time that it was stopped. The bright statement that if we pay more, we get better politicians is crap. We pay more every year and politicians are getting worse.

Everyone is asked by the government to keep their pay raises to 3% to 5%, but when it comes to politicians' pay raises, it is usually 25% or more. Their increase should be as the taxpayers receive. If they cannot live on what they are receiving, what do they think the rest of us are living on?

Owen Calhoun
Burlington, ON

Harper's Apologies

Has the vulnerability of hosting a minority government caused Stephen Harper to adopt the present status of "political apologist"?

In less than a year in office, Stephen Harper has apologized for the Chinese Head tax, the Japanese Internment, the Native Residential Schools and now the Mirabel Airport farmland appropriations. Maybe Mr. Harper is on an "apology roll" and there is a list of so-called injustices that he is going pay for with yet uncollected tax dollars?

Perhaps he should instead apologize to taxpayers for the amount of money wasted each year by the federal government. Or additionally apologize for the failing level of public safety in the country.

Canadians need a leader that is a champion of principle and not of apology, a political leader that asks for respect and not forgiveness.

Jud Ireland
Vancouver, BC

Gross-up is Grossly Unfair

I am a retired Chartered Accountant who has been a volunteer income tax preparer for low income seniors for more than 10 years. Some of these people receive modest taxable Canadian dividends, and the unfairness caused by the method of calculating the dividend tax credit for them became obvious to me.

If a taxpayer receives a cash dividend of $1,000, this amount is grossed up (now by 45%) and reported as a taxable amount of $1,450, and this amount is included in the Net Income total on the T-1 general return. The resulting taxable income is used to determine gross income tax payable, and the reported dividend is used to compute the dividend tax credit for all taxpayers — seniors or not. The problem is that net income is used in calculations which determine the value of benefits such as:

- Non- Refundable Age Credit;
- OAS Claw-back;
- Transfers of Personal Non-Refundable Credits;
- GST Credits; and
- Ontario Property Tax Credits.

Moreover, in some instances, gross-ups can push taxpayers into a higher marginal tax rate.

Believe it or not, I have had a few cases of widows receiving the GIS who received very modest dividends from shares inherited from their spouses. The GIS claw-back is normally a very harsh 50%, but after the gross-up of 45% it becomes an unbelievable $725 on an actual dividend of $1,000. And, bless their hearts, they don't want to sell their shares because they want to leave something behind to pay for their funeral.

Earl Christenson
Oshawa, Ontario

Who's the banana republic now?

Cesar Saez has a dream. He dreams of a 1,000-foot-long banana flying over the state of Texas. Saez plans to make a banana-shaped, helium-filled, synthetic-paper airship that will fly 20 to 30 kilometres above the state of Texas. The balloon should be up there about a month before it crashes to earth.

Saez expects the project will cost about $1 million and hopes to have it launched in August 2008.

When Saez was asked why he was doing it. His answer was simply "Why not a banana over Texas?"

However, Saez may have a more sinister message behind the giant banana. You see he plans to build and launch it from Mexico and have it drift over the border into Texas. It will be a statement on the current tension between Mexico and the US over the flow of illegal migrants. Since the banana will be over 25,000 metres in the sky it should be beyond the jurisdiction of the US government. However, just in case, lawyers are preparing legal briefs to fight any US protest.

So what has all this to do with Canada? Well, Saez is an "artist." And although born in Argentina, he currently lives in Montreal. Yes, he is a Canadian artist. And every taxpayer in Canada knows what that means.

The federal government's Canada Council kicked in $15,000 for the project and the Quebec government's Council for Arts and Letters (CAL) $49,800.

CAL spokesman, Beatrice Pepper, said the project announcement was a "big day" for Quebeccers and added the big yellow banana over Texas will benefit Quebec culture.

With files from CTV.ca

Tax cheats safe?

According to a poll conducted by Environics Research Group this past fall, most Canadians will not squeal on tax cheats. Ironically, the survey was paid for by taxpayers courtesy the Canada Revenue Agency.

When Environics asked Canadians if they would report "suspected" tax cheats, 60% said they wouldn't or probably wouldn't. Only 10% said they would turn in suspected tax cheats.

When asked the same question about people who they "definitely" knew were cheating on taxes, the number who said they wouldn't or probably wouldn't turn them in dropped to 56%. On the opposite side of the coin, if they "definitely" knew someone was cheating on taxes, 21% of Canadians said they would report such individuals, while 23% said they probably would.

In response to both questions, the groups willing to report tax cheats had a number of qualifiers before they would turn someone in:

- They required guaranteed anonymity;
- 37% said the money amount needed to be significant; and
- Over 33% said their relationship to the tax cheat was a major consideration.

These numbers also reflect a growing fuzziness by Canadians on who the *real* cheats are — errant taxpayers or corrupt politicians and bureaucrats.

With files from www.canada.com

Slippery bureaucrat

Ron Stewart was a slippery running back for the CFL's former Ottawa Roughriders and according to Canada's Auditor General Sheila Fraser, he utilized those skills in the service of the federal gov-

Wind power loses green sheen.

ernment.

In her November 2006 report, Fraser wrote a scathing indictment on the spending and work habits of Stewart who headed the Office of the Correctional Investigator (OCI). The position serves as ombudsmen for federal inmates. Stewart resigned the position in 2004.

Fraser says there was upwards of $325,000 in what she considers "improper and questionable" payments to Stewart.

At the top of her list is payout of vacation time. Stewart worked for the federal government for 26 years, but claimed he never took holidays for 14 of those years. This resulted in him sending a bill of $95,000 to the agency for unused vacation time between 1998 and 2003. Fraser notes in 1999, Stewart received a double payout of vacation time, because the Public Safety Department which oversees OCI forgot it paid out Stewart's vacation time the previous year.

Fraser also noted between April and October of each year, Stewart spent much of his time at his cottage located on an island without power and telephone. He also regularly took winter and Christmas vacations.

Fraser said over one five year period Stewart was away from work for 319 days. There was no explanation of what he was doing.

There were other problems as well:

- Stewart made five consecutive pilgrimages to Grey Cup games paid for by the federal government. He claimed he was investigating inmate complaints, but the auditor noted the trips were booked months in advance and sometimes by the CFL itself;
- When his department registered a surplus between 1999 and 2002, Stewart had excess monies distributed equally between the non-management employees in his 25 person branch. Fraser estimates there was $260,000 in unauthorized salary payouts;
- Though Stewart was computer illiterate and did not have a computer for his office, OCI nevertheless paid $8,000 for computers in Stewart's home;
- Finally, there were the 80 hospitality claims Stewart made between 1998 and 2004. Fraser said 58 of these claims, were not business related and involved just friends and family. Fraser pegged the costs for non-business related travel and expenses at $12,000.

With files from the *National Post* / *Globe and Mail*

Wind power turns red

The green sheen is falling off governments' push to fill Canada with wind terminals to supply electricity. Governments pressured by environmentalists such as David Suzuki jumped on the wind turbine band wagon as the answer to Canada's energy woes. Now, they are bailing off as quickly as they jumped on.

According to a report by Tom Adams who works for Energy Probe, wind farms are a notoriously poor source of energy due to erratic winds. Last year, he studied three wind farms in Ontario and found they ran at only 22.3% capacity. This confirms other reports such as an analysis of a wind farm in Quebec which operated at 18% capacity in its first five years.

The problem of erratic winds is further compounded when electricity is at its highest demand — morning and evening — the wind is usually at its lowest ebb. As well, during the summer, wind ebb is low on hot days when electrical demand peaks due to air conditioner usage.

A coal or nuclear generator can run at 70% to 80% capacity allowing them to provide electricity 24/7.

Who said baaa at the council meeting?

In their effort to "go green," governments provide various levels of subsidies to support wind energy. In Saskatchewan, government-owned SaskPower built a wind farm. In Ontario, the government agreed to buy electricity off windmill farms at inflated rates as high as 11 cents per KWH compared to 3.3 cents from more conventional generation.

Now, new concerns are emerging. Two years ago, a US-based environmental group went to court to temporarily close down a huge wind farm in California because of its potential disruption of bird migrations. Similar concerns are being expressed about wind farms in Canada.

The Alberta and Ontario governments have stopped any further wind farm development and other provinces may soon follow suit.

With files from the *Globe and Mail*

Feeling a bit sheepish

It was an important and solemn meeting of Havering Town Council in Romford Essex, England. In September 2005, they were discussing zoning issues surrounding the set up of a mobile trailer on a local farm.

During discussions, one of the councillors repeatedly uttered the words "baaa" interrupting the proceedings.

They were unable to determine who was saying the phrase. But Councillor Jeff Tucker was so outraged by this "baaad" disturbance, he reported it to the Standards Board of England which apparently overseas the use of the word "baaa" during council meetings. The Standards Council decided the incident needed further investigation and ordered Havering Town Council to look into the matter.

After one year and spending close to $22,000 on what is described as a "wide-ranging investigation," the council released a 300 page report on the incident. Apparently, the council was able to narrow down the "baaa" offender to one of four suspects. Unfortunately, the primary suspect had resigned and was beyond the reach of the investigation.

with files from the *Globe and Mail*/ www.telegraph.co.uk

China still on the dole

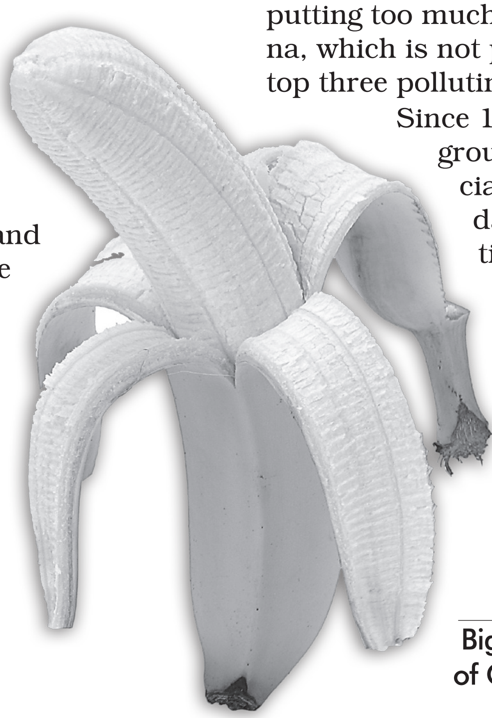
Despite China's rapid transformation into one of the most powerful economies in the world, the Canadian International Development Agency (CIDA) insists on handing out financial assistance to this impoverished nation that has its own space agency and nuclear program.

In its most recent move, CIDA provided $9.3 million to a Chinese government advisory group — The China Council for International Cooperation on the Environment and Development (CCIC). The money will be handed out over five years.

The CCIC is supposed to advise the Chinese government on environmental issues but instead regularly churns out pro-China propaganda. On one hand, it states the West routinely ignores China's massive strides on environmental issues and on the other claims it's unfair to limit China's economic growth by putting too much emphasis on pollution. China, which is not part of Kyoto, is one of the top three polluting nations in the world.

Since 1992, CIDA has provided this group over $29 million in financial assistance, making Canada one of its largest international donors. Despite CIDA's claims the money doesn't go directly to the Chinese government, funds were used to pay expenses for Chinese government officials to attend the organization's meetings.

With the files from the *Globe and Mail*



Big banana to hit Texas with help of Canadian taxpayers.

Lotta losers, lotta winners

CBC's program Fifth Estate alleges the agents of the Ontario Lottery Corporation have defrauded winners of hundreds of thousands of dollars since 1999.

In their report, CBC states insiders — namely dealers and cashier clerks selling lottery tickets — won prizes worth at least $50,000, 214 times. Based on their statistical percentage this group should have won only 60 times. The CBC hired University of Toronto professor Jeffrey Rosenthal to calculate the odds of 214 lottery dealers winning such a prize. He said the chances were "one in a trillion, trillion, trillion, trillion."

CBC alleges these numbers were skewed because dealers/cashiers defrauded winners by suggesting their prize was substantially less than what they actually won. The dealer then turns in the winning ticket to the Ontario Lottery Corporation and claims the larger prize.

CBC cited the case of Robert Edmond who was told by a dealer he had only won a free ticket. However, it later turned out he had won a $250,000 prize but it was claimed by the dealer who now had the winning ticket. Internal memos from the Ontario Lottery Commission showed they were suspicious about the dealer's claim, but paid out the money anyway.

Meanwhile, Edmond was becoming increasingly suspicious of what had transpired. After repeated attempts to discuss the matter with the Ontario Lottery Commission went nowhere, Edmond took the case to court. The Ontario Lottery Commission spent over $400,000 defending the case and in the face of overwhelming evidence eventually settled out-of-court.

With files from the *Globe and Mail*

Treaty waste

According to audits by both the federal and BC governments the BC Indian treaty negotiations are a colossal waste of money. The lawyers, bureaucrats and Indian consultants are making a killing, but taxpayers are being skinned alive.

What is most disturbing is as the budget for treaty negotiations closes in on $1 billion, not a single treaty has been ratified.

The government says that of the 57 bands currently in negotiations it expects three treaties to be signed this year and agreements in principle reached with as many as 19 others. However, don't get your hopes up, because negotiators quit making money once treaties are signed.

Meanwhile, negotiations with others groups are slowing down. Government officials informed negotiators with the Hul'qumi'num treaty group — a five band consortium — they will only be negotiating with them three days a month, down from six.

Incredibly, 150 Indian bands haven't even started the treaty negotiation process.

With files from the *Vancouver Sun*

Addicted to addictive money

The tobacco unit of the Alberta Alcohol and Drug Abuse Commission is supposed to tell Albertans about the dangerous addictive qualities of tobacco.

However, according to Alberta's Auditor General Fred Dunn, some of the money funded the executive director's gambling addition.

The auditor reported that Lloyd Carr — the unit's former executive director — laundered $634,000 from

Is it safer to cheat on your taxes than cards?

the Drug Abuse Commission's budget by issuing "false contracts" payable to himself. The contracts were for school anti-smoking campaigns already provided by the Alberta Lung Association.

From this, Carr received $441,298 and according to the auditor, $116,000 of this money was withdrawn by Carr at ATM machines in casinos. The rest was used to pay off mortgages and car loans.

There was further evidence Carr falsified his resume. He claimed to have a degree, which he didn't. He also had a criminal record which was not picked up by the agency.

According to the auditor, Carr was able to take advantage of weaknesses in the agency's accounting procedures to steal money.

With files from the *National Post*

Expensive evacuation

According to a report by CTV, the federal government spent in excess of $85 million evacuating Canadian citizens from Lebanon during the Israeli — Lebanese conflict last year.

Federal government estimates released in October 2006 show the feds coughed up an extra $63 million to fund a flotilla of boats and planes sent to the area to evacuate people. Departments such as Foreign Affairs spent even more bringing the total price tag closer to $85 million.

From July 19th to mid-August, the federal government evacuated about 15,000 Canadian citizens from Lebanon — this included a paid flight to Canada. According to the Department of Foreign Affairs, there were approximately 40,000 people living in Lebanon registered with the Canadian Embassy, many of which carry dual Canadian-Lebanese citizenship.

Though the government requires people to refund costs associated with such air lifts, in this instance, repayment was waived. It was also waived during the evacuation of Canadians in the aftermath of the 2004 tsunami.

Though no recent figures are available, as of September of last year, sources told CTV that almost half this group had already returned to Lebanon.

Many question why the government should be responsible for people who have not lived or paid taxes in Canada for years.

With files www.ctv.ca / *Globe and Mail*

Nice work if you can get it.

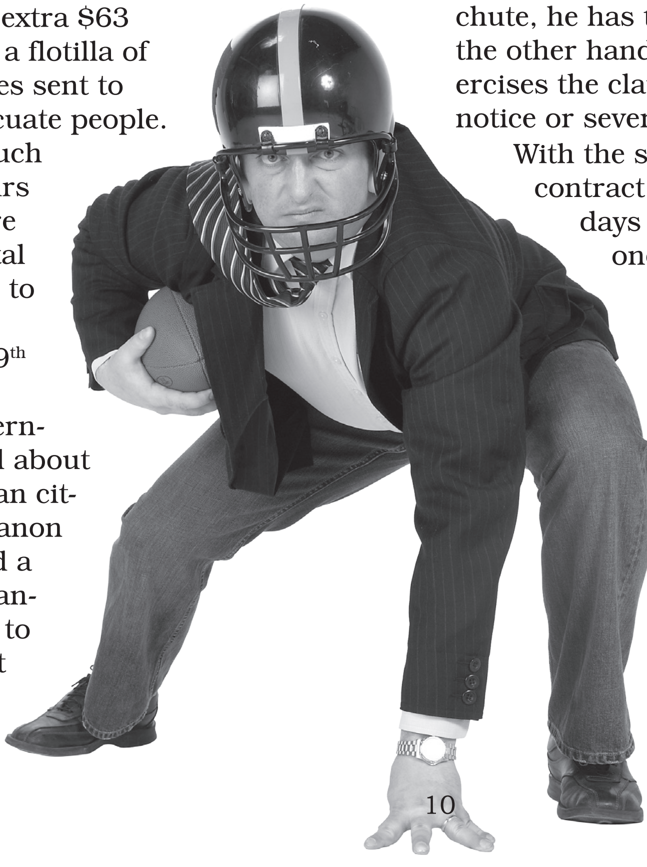
The Edmonton Public School Board recently dismissed their new Superintendent, Lyall Thomson, after less than four and a half months on the job.

Mr. Thomson negotiated an escape clause in his employment contract allowing either side to terminate his contract with no-fault being assigned. In the event Thomson pulls the chute, he has to give six months notice. If on the other hand, the public school board exercises the clause, they have to give 365 days notice or severance in lieu.

With the school board terminating his contract, Mr. Thomson now receives 365 days worth of severance, totalling his one year salary of $179,000.

So the Edmonton Public School Board has not only paid Mr. Thomson $64,734.25 for his four months of work, but now will pay him an additional $179,000 to leave — totalling $243,734.25.

That's pretty generous pay for so little work. In fact, it works out to:



Taxpayers' defence couldn't stop this Ottawa running back.

- $55,394.18 per month; or
- $2,738.59 per work day (assuming he didn't work weekends or stat holidays); or
- $342.32 per work hour (assuming 5 day work weeks and 8 hour work days).

And just to rub some salt in the taxpayer wound, the no-fault clause doesn't allow the School Board to explain why they terminated him.

With files from the *Edmonton Journal* / *CTF blog*

The Taxman Taketh and the Taxman Giveth Back!

In November 2006, the CTF's Alberta office received a call from a Calgary businessman and supporter to share his story of dealing with the Canada Revenue Agency (CRA).

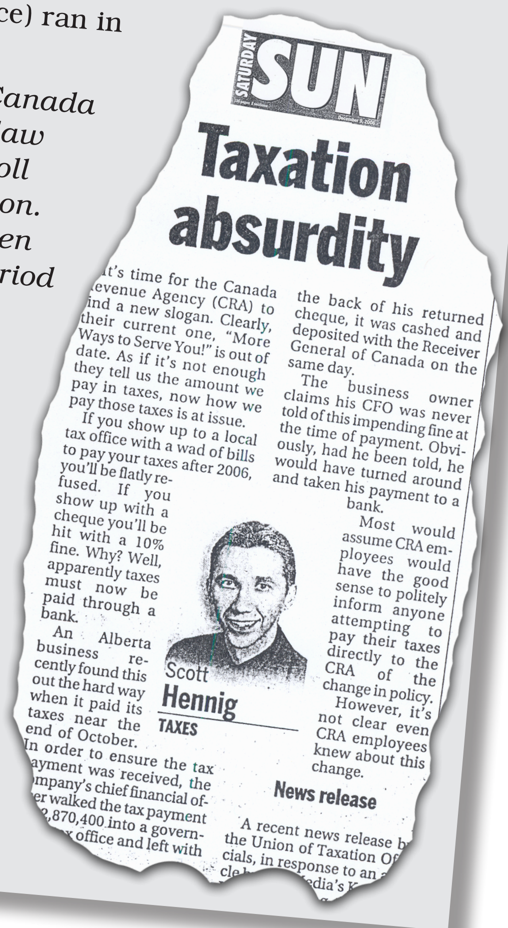
A diligent businessman, he took a $2,870,400 tax payment directly to a CRA office for payment, days before it was due, and walked out, receipt in hand. Less than two weeks later, he received a letter from CRA — and we're not making this up folks — handing him a fine of $287,040 for paying his taxes in person, instead of through a bank!

Outraged, your CTF jumped into action. CTF-federal director, John Williamson, pulled out his media rolodex and contacted *Sun Media's* Kathleen Harris who published an article that ran in Sun papers across the country on November 22nd.

Shortly after, CTF-Alberta director, Scott Hennig, penned an opinion editorial detailing the fine that ran in the *Toronto Sun*, *Edmonton Sun* and *Calgary Sun* on December 9th. In the editorial your CTF called on Prime Minister Stephen Harper, National Revenue Minister Carol Skelton, and chair of the Public Accounts Committee Shawn Murphy to take action and reverse the fines.

On December 13th the following (edited for space) ran in both the Toronto and Edmonton papers:

> *RE: Scott Hennig's Dec. 9 column on the Canada Revenue Agency's decision to enforce the law requiring large companies to deposit payroll remittances directly at a financial institution. I have listened to Canadians and have taken immediate action that will offer a grace period to large businesses with a concern about payroll deductions. On Dec. 7, I instructed the agency to waive penalties incurred as of April 1 of this year until the end of 2006. Beginning in January 2007, however, the law will be enforced without exception.*
>
> *Hon. Carol Skelton*
> *Minister of National Revenue*



SATURDAY SUN

Taxation absurdity

t's time for the Canada evenue Agency (CRA) to ind a new slogan. Clearly, their current one, "More Ways to Serve You!" is out of date. As if it's not enough they tell us the amount we pay in taxes, now how we pay those taxes is at issue.

If you show up to a local tax office with a wad of bills to pay your taxes after 2006, you'll be flatly refused. If you show up with a cheque you'll be hit with a 10% fine. Why? Well, apparently taxes must now be paid through a bank.

An Alberta business recently found this out the hard way when it paid its taxes near the end of October.

In order to ensure the tax ayment was received, the mpany's chief financial of- er walked the tax payment ,870,400 into a govern- x office and left with the back of his returned cheque, it was cashed and deposited with the Receiver General of Canada on the same day.

The business owner claims his CFO was never told of this impending fine at the time of payment. Obviously, had he been told, he would have turned around and taken his payment to a bank.

Most would assume CRA employees would have the good sense to politely inform anyone attempting to pay their taxes directly to the CRA of the change in policy.

However, it's not clear even CRA employees knew about this change.

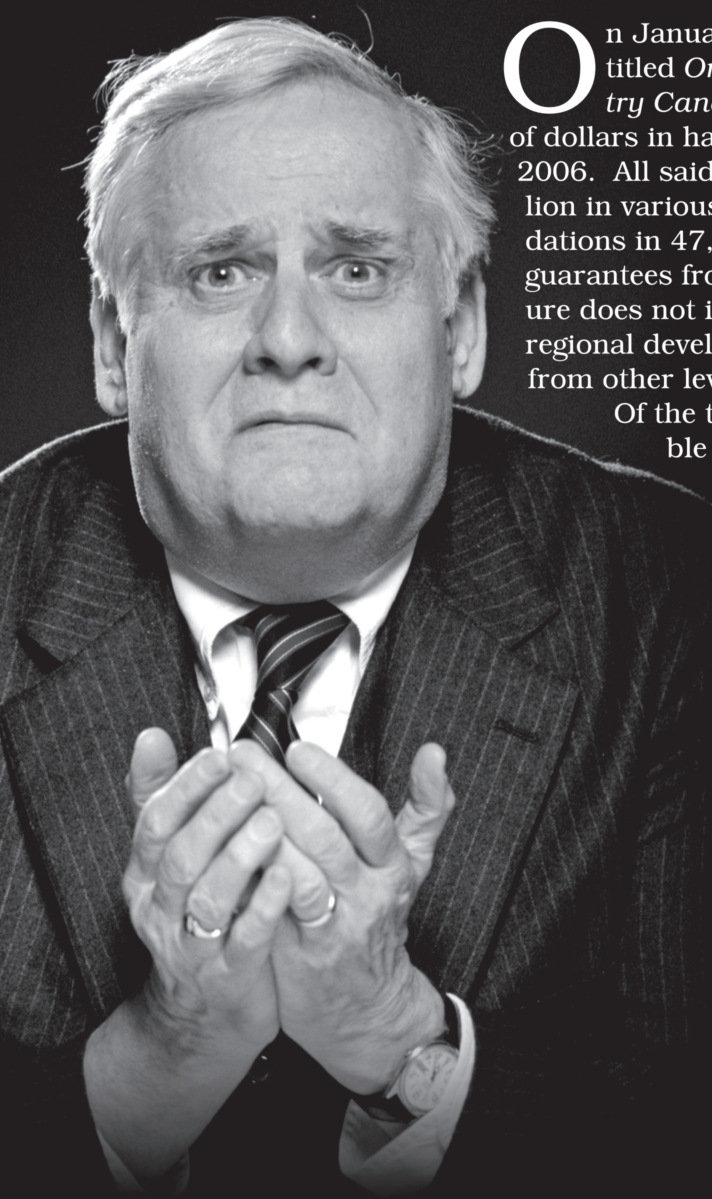
Scott Hennig
TAXES

News release

A recent news release b the Union of Taxation O cials, in response to an cle dia's

So, even though the minister remains committed to this rather bizarre policy – a policy incidentally that even the Union of Taxation Officials were not aware of – your CTF's efforts saved this one taxpayer $287,040 and many others similar amounts for the 2006 year! Moreover, your CTF's efforts drew public attention to what CRA policies are.

On the Dole



On January 10, 2007 your CTF released a new report entitled *On the Dole: Businesses, Lobbyists and Industry Canada's Subsidy Programs,* which details billions of dollars in handouts for the period April 1, 1982, to March 31, 2006. All said, the industry department authorized $18.4-billion in various subsidies to businesses, associations and foundations in 47,960 separate grants, contributions, loans and loan guarantees from – incredibly – 150 different programs. This figure does not include subsidies from other departments, federal regional development agencies, or corporate welfare programs from other levels of government.

Of the total amount, $7.1-billion is considered repayable funding yet a paltry $1.25-billion or 17.6% has been repaid. All said, less than 7% of the total $18.4-billion subsidy portfolio has been recouped by Ottawa. Handing "free money" to businesses and failing to collect loans means fewer tax dollars for priorities like health care, infrastructure, defence or tax relief.

Top subsidy recipients long ago took up permanent residence at the subsidy trough and morphed from entrepreneurs to "grantrepreneurs." The top 50 beneficiaries have received $5.9-billion – a third of all money authorized. The top 5 secured more than $3.2-billion in handouts and are companies Canadians (and shareholders) know well. They are Pratt & Whitney with $1.5-billion authorized, Bombardier at $745-million, General Motors Canada with $360-million, Bell Helicopters flew away with $339-million, and CAE Inc. received $321-million.

One notable recipient is the Wachovia Bank, which received $43-million when a loan, guaranteed by the federal government, went bad. The bank is based in North Carolina. In Janu-

ary, 2000, Ottawa rejected a proposal to subsidize Canada's professional hockey teams after hearing from your CTF and countless outraged Canadian taxpayers. But Canadian tax dollars are helping U.S. teams: Philadelphia's professional basketball and hockey teams play home games at the Wachovia Center.

by Adam Taylor
National Research Director

One sorry consequence of the cosy relationship between corporations, their lobbyists and government officials is rule-breaking. Government audits reveal companies routinely paid "success fees" to lobbyists in exchange for securing subsidy handouts. These fees are prohibited by Ottawa but are paid anyway. Moreover, many lobbyists neglect to register their activities, which is another violation of accountability rules. But with Industry Canada unloading hundreds of millions of subsidy dollars annually it is no wonder the department is the most-lobbied ministry in Ottawa.

Another concern to taxpayers is the lengths politicians and bureaucrats go to avoid checks and balances when doling out loot. Almost 10% of approvals from Technology Partnerships Canada (TPC) — which is Industry Canada's flagship program — are under the $10-million mark. Payments under this dollar amount do not require approval from the Treasury Board. Without as many hoops, the money flows quicker (albeit by smaller amounts) and there is less scrutiny over recipients.

> "$7.1-billion is considered repayable funding yet a paltry $1.25-billion or 17.6% has been repaid. All said, less than 7% of the total $18.4-billion subsidy portfolio has been recouped by Ottawa."

And what have taxpayers received in return for $3-billion doled out by TPC? Ottawa originally told the public every TPC investment dollar would return $1.74 in repayments from businesses. Instead, the program's repayment rate is less than 6%. Taxpayers have recouped $169-million from this "investment." This is more proof corporate welfare programs are a sinkhole for tax dollars. Yet subsidies continue to flow unabated.

A 2005 *C.D. Howe Institute* study ranked Canada 30th among 36 industrialized countries in terms of combined average federal-provincial corporate income tax rates. The report also found Canada had the second highest marginal tax rate on capital. (The worst spot was reserved for communist

Financial Assistance by Type, fiscal years 1982-2005

Type of Assistance	Amount Approved ($)	% of Total
Conditionally repayable contribution	6,161,677,544.82	34.0%
Contribution	7,222,244,743.27	39.0%
Grant	2,717,025,872.00	15.0%
Conditional/Unconditional repayable cont.	29,291,778.00	0.2%
Loan guarantee	311,441,984.00	1.7%
Repayable contribution	883,551,491.00	4.8%
Interest contribution	73,858,490.00	0.4%
Other assistance	972,552,192.58	5.3%
TOTAL	**$18,371,644,095.67**	**100.0%**

Top 50 Financial Assistance Recipients fiscal years 1982-2005		
RANK	Applicant Legal Name	Amount Authorize
1	Pratt & Whitney Canada Corp.	1,495,509,07
2	Bombardier/Canadair	745,282,654
3	General Motors of Canada Limited	360,829,000
4	Bell Helicopter Textron Canada Limited	338,747,004
5	CAE Inc.	321,022,296
6	Societe Generale de Financement du QC	293,000,000
7	Groupe Mil Inc. (Le)	230,500,598
8	Honeywell Aerospatiale Inc.	207,922,914
9	CMC Electronics Inc.	158,798,133
10	Trentonworks Ltd.	127,753,226
11	Ford Motor Company of Canada	104,200,000
12	Spar Aerospace Ltd.	99,877,074
13	Petromont Inc.	95,800,000
14	Litton Systems Canada	89,319,543
15	Rolls-Royce Canada Limited	87,602,250
16	Cascade Data Services, Richmond B.C.	77,214,319
17	Repap New Brunswick Inc.	74,557,000
18	Indal Technologies Inc.	69,086,979
19	Mitel Networks Corporation	60,000,000
20	Inco's Voisey's Bay Nickel Company Limited	60,000,000
21	Hyundai Auto Canada Inc.	55,000,000
22	MacDonald, Dettwiler and Associates Inc.	52,055,714
23	Wachovia Bank National of North Carolina	42,655,781
24	Statewest Airlines Inc.	42,273,215
25	Metro Express Inc.	41,915,573
26	Noranda Inc.	41,668,750
27	Research In Motion Limited	38,604,897
28	IBM Canada Ltd.	33,050,000
29	Aeterna Zentaris Inc.	31,423,802
30	Northstar Aerospace (Canada) Inc.	30,651,023
31	Ifire Technology Inc.	30,000,000
32	General Dynamics Canada Ltd.	28,661,617
33	Zenon Environmental Inc.	28,500,500
34	Canadian Opera House Corp, Toronto	25,000,000
35	Héroux Devtek Inc.	23,412,034
36	Goodrich Aerospace Canada Ltd.	23,035,575
37	Canadian Shipbuilding & Engineering Ltd.	21,900,000
38	Lockheed Martin Canada	20,410,334
39	Raytheon Canada Limited	20,319,760
40	Magellan Aerospace Limited	20,042,236
41	Westport Innovations Inc.	18,912,010
42	Magna International Inc.	18,019,576
43	Western Star Trucks Inc.	16,223,250
44	Working Ventures Canadian Fund Inc.	14,550,000
45	Messier-Dowty Inc.	13,484,577
46	Ulnooweg Development Group Inc.	13,454,179
47	Sydney Steel Corporation	10,967,600
48	World Heart Corporation	9,980,000
49	Premier Tech 2000 ltée	9,000,000
[illegible]	[illegible]	[illegible]

China.)

Rather than offer subsidies to *some*, the federal government should offer low business taxes for *all*. By getting out of the subsidy and regional development business altogether, Ottawa could save $2- to $4-billion a year. In turn, Ottawa's corporate income tax burden – which is

> "Rather than offer subsidies to *some*, the federal government should offer low business taxes for *all*. By getting out of the subsidy and regional development business altogether, Ottawa could save $2- to $4-billion a year."

21% – could be reduced by 2 or even 3 percentage points. Such tax relief will benefit all companies, our domestic economy, and improve Canada's international competitiveness. It will also level the playing field, preventing the absurd situation where some businesses are forced through their taxes to subsidize their competitors.

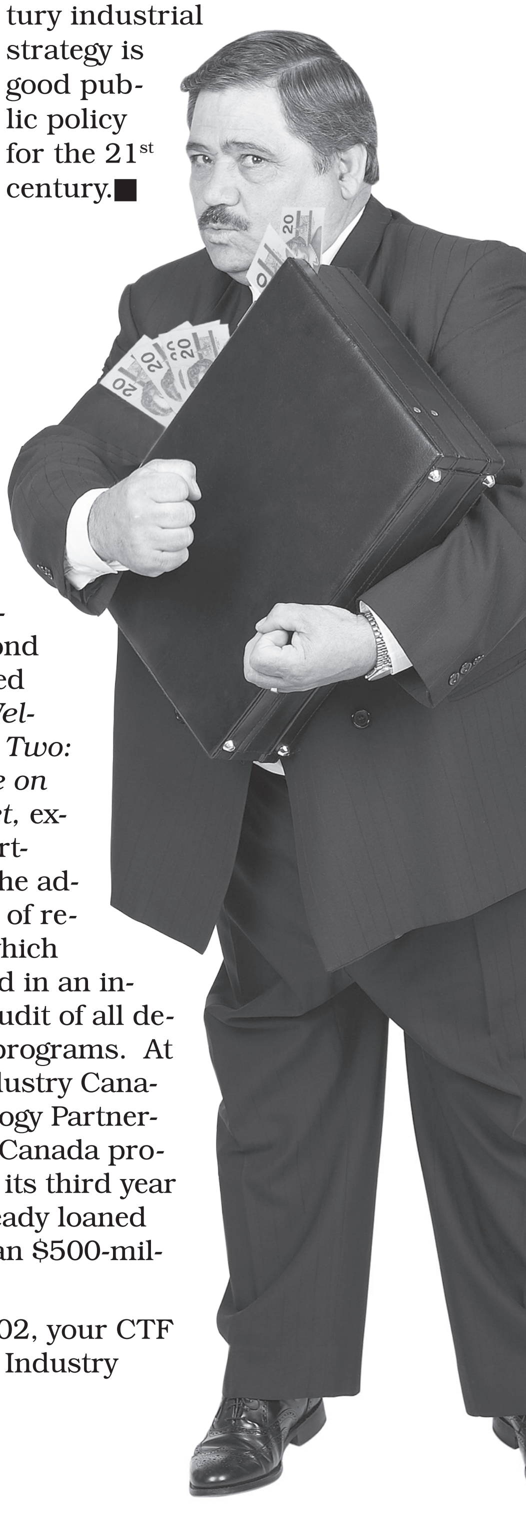
The Ottawa-based business lobby must be challenged. Business leaders should be forced to choose between lower taxes and subsidy programs. Yet most industry groups demand politicians cut taxes *and* pay fat subsidies. Future corporate tax relief should be conditional on a reduction in corporate welfare.

Ottawa's culture has

changed dramatically since the 1980s. Long gone are the days when Canadians will tolerate government deficits, unrestrained spending and politicians wasting tax dollars. Yet throughout this transformation, Industry Canada has remained a bloated, intrusive, and politically-driven ministry wedded to the past. Nothing illustrates this more than a review of the department's subsidy programs, where it remains business as usual.

Industry Minister Maxime Bernier stated last summer that "prosperity for all Canadians comes from markets that are allowed to move in a free, efficient and competitive manner." Yet his ministry's meddling creates an unfair, inefficient and uncompetitive marketplace.

Minister Bernier's commitment to free markets will soon be tested. He is expected to announce reforms to Ottawa's subsidy programs. His challenge is to end corporate welfare handouts, transform his department and not permit industry officials to convince him failed 19th century industrial strategy is good public policy for the 21st century.■



CTF's Fight Against Corporate Welfare

Your CTF has been an unshakable critic of corporate welfare. The following highlights our research and advocacy work to date:

- April, 1998, your CTF releases a study entitled *Corporate Welfare: A Report on Sixteen Years of Industry Canada Financial Assistance* detailing financial assistance authorized by Industry Canada to individuals, corporations, and other levels of government. From 1982 to 1998, over $11-billion of assistance was authorized through 32,969 separate grants, contributions, loans, interest contributions and loan guarantees.
- The April 1998 report reveals that almost half of the $11-billion was paid to 75 of Canada's largest and most profitable companies. Pratt & Whitney leads the porker pack with $949-million in payments, followed by de Havilland with $425-million and Bombardier/Canadair with $245-million. The report divulged that only 8 per cent of the $2.6-billion lent out through the now-defunct Defence Industry Productivity Program (DIPP) had been repaid. The repayment record on other Industry Canada programs was similar.
- June 1998, your CTF releases a second report entitled *Corporate Welfare Volume Two: A Nightmare on Queen Street,* examining shortcomings in the administration of repayments, which were revealed in an independent audit of all departmental programs. At the time, Industry Canada's Technology Partnerships (TPC) Canada program was in its third year and had already loaned out more than $500-million.
- February 2002, your CTF takes aim at Industry

Canada's TPC program. The report, entitled *Peeling Back the Onion: A Taxpayers Audit of Technology Partnerships Canada*, reveals in fiscal 1996/97, three TPC projects worth $147-million were announced before final approvals were granted. These projects involved contributions to Bombardier, Ballard Power, and CAE Inc. The study also reports Ontario and Quebec companies received over 90 per cent of all funding commitments with 57 per cent destined to Quebec alone. Another revelation: an average of 56 per cent of all TPC approvals occurred in March, at the end of Ottawa's fiscal year. A spending practice dubbed "March Madness."

NATIONAL POST

PORK APLENTY

A new CTF study tallies the billions doled out by Industry Canada in corporate welfare

ADAM TAYLOR

TOP 50 INDUSTRY CANADA SUBSIDY RECIPIENTS

Amounts authorized by Industry Canada in grants, contributions, loans and loan guarantees, 1982-2005

1	Pratt & Whitney Canada Corp.	$1,495,509,079
2	Bombardier Canadair	$745,282,654
3	General Motors of Canada Limited	$360,829,000
4	Bell Helicopter Textron Canada Limited	$338,747,004
5	CAE Inc.	$321,022,296
6	Societe Generale de Financement du QC	$293,000,000
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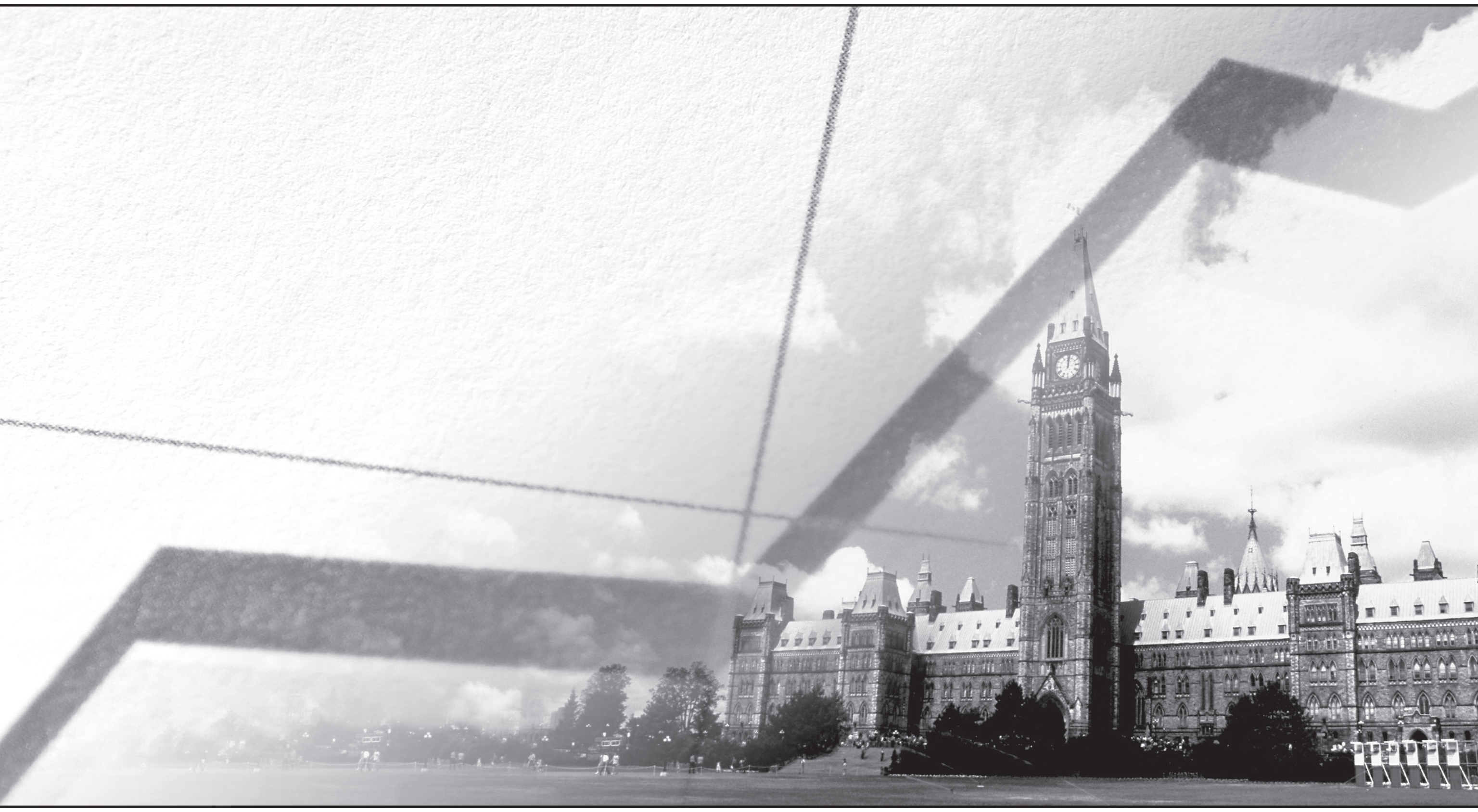
23	Wachovia Bank National of North Carolina	$42,655[illegible]
24	Statewest Airlines Inc.	$42,27[illegible]
25	Metro Express Inc.	$41,9[illegible]
26	Noranda Inc.	
27	Research In Motion Limited	
28	IBM Canada Ltd.	
29	Aeterna Zentaris Inc.	
30	Northstar Aerospace (Canada) Inc.	
31	Ifire Technology Inc.	
32	General Dynamics C[illegible]	
32	Zenon Environme[illegible]	
33	Canadian Opera H[illegible]	

- This 2002 report exposes TPC – along with other government assistance schemes – as being plagued by a paltry repayment record, is politically-driven and regularly violates its own rules and regulations. Thanks in part to CTF advocacy, Industry Canada begins to publish cumulative repayment numbers on a regular basis. With annual TPC expenditures in excess of $300-million, and repayments trivial, it becomes apparent that taxpayers had been conned (again).
- Your CTF's 2002 report further reveals the cost for creating or maintaining TPC jobs works out to $58,891 per position. In a subsequent interview with the *Ottawa Citizen,* the program's executive director acknowledges that TPC agreements with corporations do not include enforceable clauses when it comes to jobs created or maintained. Soon after, the job creation estimates – to that point 40,000 – are dropped from the TPC website.
- Finally, the 2002 report finds TPC is violating several sections of its own accountability framework including requirements for periodic audits, a comprehensive four-year audit, and release of its annual reports. The reporting is brought up to date, but in 2004 the program is rocked by revelations that unregistered and registered lobbyists collected millions of dollars in return for helping clients access TPC funding. Such lobbying payments are not permitted. The scandal is followed by a forensic audit, and funding levels to the guilty companies are reduced by the amount paid to the lobbyists. Industry Canada has no recourse against the lobbyists.
- Your CTF remains the country's leading critic of corporate welfare, publishing commentaries, issuing news releases and calling on governments to get out of the subsidy business. In May, 2005, in response to an announcement that yet more tax dollars would be given to Bombardier, the *Montreal Gazette* reported that "Only the Canadian Taxpayers Federation denounced the [Bombardier] deal." ■

"Your CTF remains the country's leading critic of corporate welfare, publishing commentaries, issuing news releases and calling on governments to get out of the subsidy business."

A Summary of all Repayable Funding by Program fiscal years 1982-2005			
Program Description	Total Authorized Assistance	Total Repayments	% Rep
Aboriginal Business Development Program	$18,721,144	$5,231,914	27.95
Aboriginal Business Devel joint Ventures Program	$922,500	$771,552	83.64
Acid Rain Abatement Program	$25,000,000	$25,000,000	100.00
Can-BC Agreement On Communications & Cultural Ind	$227,310	$0	0.00%
Canadian Apparel & Textile Industries Program	$930,500	$0	0.00%
Canadian Environmental Industry Strategy	$2,098,500	$519,921	24.78
Canadian Industrial Renewal Board	$4,340,196	$172,238	3.97%
Citi Transition Program	$733,333	$0	0.00%
Drie Act No. 5 - Special Assistance Provision	$132,350,500	$39,642,919	29.95
Newfoundland Sub Agreement For Tourism Dev	$122,705	$0	0.00%
Quebec Sub Agreement For Industrial Development	$67,944,975	$39,872,016	58.68
Quebec Sub Agreement For Industrial Dev (1991)	$121,326,604	$70,963,071	58.49
Quebec Sub Agreement For Tourism Dev (1992-97)	$17,700	$0	0.00%
Ontario Sub Agreement For Tourism Development	$16,450,000	$9,060,049	55.08
Manitoba Sub Agreement For Urban Bus Development	$78,750	$0	0.00%
Manitoba Sub Agreement For Tourism Development	$173,594	$78,697	45.33
Saskatchewan Sub Agreement For Advanced Technology	$958,194	$371,683	38.79
Sask. Sub Agreement For Northern Economic Devel	$400,000	$0	0.00%
Yukon Sub Agreement For Tourism Development	$2,229,383	$1,218,494	54.66
Yukon Sub Agreement For Small Business Incentive	$525,700	$242,550	46.14
Yukon Sub Agreement For Small Business Support	$167,265	$33,449	20.00
Yukon Sub Agreement For Tourism Development	$238,000	$148,400	62.35
Alberta Sub Agreement For Business & Community Dev	$49,250	$0	0.00%
British Columbia Sub Agreement For Tourism Dev	$8,272,613	$5,114,335	61.82
Department Of Industry Act - Sec. 13 & 14	$5,520,000	$0	0.00%
Defence Industry Productivity Program (Dipp)	$2,420,564,377	$515,695,640	21.30
Enterprise Development Program	$49,500,000	$21,243,220	42.92
Environmental Technology Commercialization Program	$8,781,334	$247,933	2.82%
St-Lawrence River Environmental Technology Dvlmt Prog	$8,350,580	$272,250	3.26%
Fednor	$23,150,489	$11,055,959	47.76
Hydrogen Early Adopters Program	$20,517,159	$0	0.00%
Industry & Labour Adjustment Program	$86,237,192	$56,572,195	65.60
Industrial & Regional Development Program	$351,910,190	$231,179,024	65.69
Istc Act - Special Assistance Provision	$184,695,000	$445,500	0.24%
Microelectronics & Systems Development Program	$59,698,964	$25,905,965	43.39
Native Economic Development Program	$30,384,390	$2,986,661	9.83%
New Fednor	$10,693,326	$588,185	5.50%
New Fednor Extension	$11,208,527	$186,160	1.66%
National Personnel Interchange Program	$900,000	$492,724	54.75
Ontario Base Closure Adjustment Program	$3,780,500	$1,882,224	49.79
Program For Strategic Industrial Projects	$300,000,000	$0	0.00%
Regional Development Incentives Program	$1,341,900	$1,544,293	115.08
Sector Campaign - Advanced Manufacturing Technology	$2,971,075	$90,981	3.06%
Sector Campiagn - Environmental Industries	$1,273,900	$100,584	7.90%
Sector Campaign - Forest Products R&D/Innovation	$2,166,400	$1,631,026	75.29
Sector Campaign - Microelectronics	$8,264,000	$4,346,104	52.59
Sector Campaign - Medical Devices Technology Assist	$700,000	$649,526	92.79
Softwood Industry & Community Economic Adjustment	$56,131,200	$1,583,377	2.82%
School Net - Community Access Program	$9,860,145	$283,404	2.87%
Strategic Technologies - Bio-Technology	$17,198,932	$4,229,534	24.59
Strategic Technologies - Advanced Industrial Materials	$12,924,781	$2,332,235	18.04
Strategic Technologies - Information Technology	$576,999	$1,118	0.19%
Technology Opportunities In Europe Program	$12,033,000	$279,647	2.32%
Technology Partnerships Canada	$3,031,559,062	$169,255,020	5.58%
Western Transportation Industrial Development	[illegible]	[illegible]	[illegible]



Budget 2007: *CTF Recommendations*

By John Williamson

When the new finance minister presented the 2006 Budget in May, he estimated the surplus this fiscal year would be $3.6-billion. At the time, Jim Flaherty vowed the Conservatives would act differently than the Liberals. No longer would the federal government rack up massive surpluses nor would it lowball the figures and feign surprise when a fatter surplus was recorded at year end. It was a welcome signal to taxpayers the era of unplanned multi-billion dollars surpluses was coming to an end.

Recent surplus figures tell an altogether different story. The federal government is still swimming in excess dollars. For the first seven months of the 2006/07 fiscal year Ottawa recorded a $5.8-billion surplus. This is only $700-million shy of the pace set last year, when the surplus hit an eye-popping $13.2-billion. It represents an ongoing confiscatory level of over-taxation by Ottawa that Mr. Flaherty promised to end. And what is the minister's response to this news?

He says he wants to lower taxes further. Yet like the previous Liberal government he also maintains the surplus figure is a mirage that will disappear altogether at year end. He states the Conservative's July 1 one-point GST cut and generous child care allowance is not reflected in the numbers. The finance department is sitting on billions of surplus dollars and yet the minister is crying poor.

The Conservative's budget reduced the GST to 6 per cent. It launched a new annual $1,200 child care allowance and it also made a series of targeted tax cuts that will benefit some, but not all taxpayers. But the government also partially reversed personal income tax cuts enacted by the Liberals and decreased the basic personal exemption. So while taxpayers are ahead overall in 2007, the Conservative tax

cuts, announced in the 2006 budget, were not nearly as dramatic as the government would like taxpayers to believe. A surplus is another word for over-taxation. And because taxes remain high, Ottawa collects more than it needs to fund its spending.

Canadian taxpayers are tired of excuses from politicians and many want real tax relief. Not tax relief that cuts the GST with one hand while raising income taxes with the other. Not a cut to the Employment Insurance payroll tax that is virtually offset by applying that lower tax to a higher amount of income. Enough of this maddening shell game — taxpayers want tax relief that does not require them to jump thru bureaucratic hoops or read the fine print to understand how much will be clawed back by Ottawa.

With the federal government facing a growing surplus your CTF again appeared before the House of Commons Finance Committee last fall. Our message to members of parliament was blunt: reduce government spending, cut income taxes, and implement a legislated debt repayment plan.

One reason for the larger surplus last fiscal year is that program spending was reduced by $1.1-billion versus the previous fiscal year. Finance Minister Flaherty has also announced Ottawa is working to find additional budget savings totaling $2-billion over the next two years. Your CTF applauds the government for embarking on streamlining of program spending.

The spending cuts are welcome, but more reductions are necessary, particularly when Ottawa spends an eye-popping $26-billion a year on grants and contributions to businesses, special interest and community groups, and individuals. (Your CTF neither solicits nor accepts any government funding.) A $1-billion trim is approximately half of one per cent of Ottawa's program spending. In future years, the federal government must ensure program spending is kept down and does not gallop ahead. As such, the Prime Minster's election commitment to limit expenditure growth to a maximum annual amount of inflation plus population growth must be fulfilled.

This will not be easy with special interest groups demanding their pet projects be funded by taxpayers. One Conservative committee member observed it was refreshing to hear from an organization like the CTF that was not asking for a government handout. MP Dean Del Mastro (Peterborough, Ontario) estimates the spending demands made by special interest groups to the committee this year total $600-billion. Ottawa's entire budget is $220-billion. If Ottawa's spending were to explode (again) the possibility of deep and meaningful tax relief will quickly vanish.

That Ottawa can afford tax cuts is obvious given multi-year and multi-billion dollar surpluses. Your CTF advocates that both the basic personal and spousal exemptions be raised to $15,000. In fact, the 2005 economic update outlined an accelerated timetable for quickly increasing the BPE to $10,000 and the spousal exemption to $8,500. Regrettably, the 2006 budget slowed this schedule. As a result, Canadians are paying more income tax today than would otherwise be the case.

This year your CTF is pressing members to peg the two exemptions at $15,000 in four years. This will save all taxpayers $940 a year. In the context of growing surpluses we are confident

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lawmakers will see this proposal's economic, social and political merits.

But it is not sufficient — or responsible — for parliamentarians to only discuss cutting taxes for low- and modest-income Canadians. According to the OECD, and even Canada's finance department, our personal income tax burden remains the highest of the G-7 nations. In fact, this standing has not changed in almost a decade. Broadly-based tax relief is necessary to ensure all income earners benefit from lower taxes.

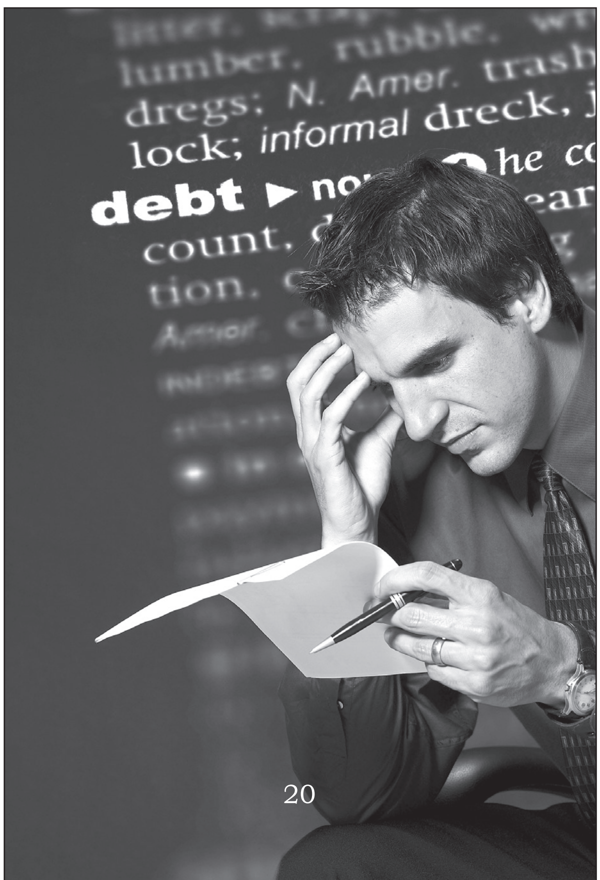
Your CTF has therefore advanced a "3 and 3" plan whereby the top two personal income tax rates are reduced by 3 per cent — phased-in over three years — from 29%-to-26% and 26%-to-23%.

Many said the federal government's 2000 to 2004 tax relief measures would dramatically reduce expected revenues. But they did not. In response to rising federal tax revenues then-Finance Minister Ralph Goodale observed, "The revenue growth we are now seeing is of a permanent and structural nature." This should come as no surprise as tax cuts strengthen the economy and result in more Canadians working and paying taxes. Until the department of finance reforms its modeling to include the stimulative consequences of cutting taxes, Ottawa will continue to underestimate its annual surplus by $5-to-$6-billion a year.

Last was debt relief: The new Conservative government and previous Liberal government should be commended for paying down $81.4-billion of Canada's national debt over the last nine years. This progress has resulted in annual savings on debt interest payments of over $4-billion a year. Nonetheless, Canada will spent $35-billion to service the federal debt this year, which amounts to a daily interest payment of $95-million. Paying the interest on Canada's national debt is the federal government's single largest expenditure. Your CTF has long advocated for moving from debt repayment by accident to debt elimination by design.

The CTF recommends an annual budget line devoted to debt repayment, beginning with 1 per cent in 2007/08, and rising to 5 per cent of annual revenues. If our good fortune and good fiscal management holds, our half a trillion dollar debt could be paid off in a generation, saving billions in annual interest payments. It could be done even faster if the federal government began the sale and divestiture of Crown assets, including the Canada Mortgage and Housing Corporation. With the national debt standing at $481.5-billion, Canada cannot afford to not take debt repayment seriously.

The bottom line: Ottawa should collect in taxes only what is needed to fund its spending priorities. Annual surpluses represent over-taxation by government and the money should go back to taxpayers in the form of lower taxes. Taxpayers will consider the 2007 Budget a failure if it does not offer Canadians broad-based tax cuts that benefit individuals and families. It is a message we will continue to take to MPs in advance of the budget.■



"Your CTF has long advocated for moving from debt repayment by accident to debt elimination by design."

Spend, Spend, Spend: *The folly of accumulating massive budget surpluses*

By John Williamson

Opposition Liberals adopted a bizarre line of attack on the Conservative government's plan to chop spending by $1-billion over the next two years and find another $1-billion in efficiency savings over the same period. They question the necessity of trimming fat when the government is sitting on bags of surplus dollars. What the opposition is telling Canadians is that using tax dollars responsibly is not a priority when Ottawa is swimming in excess money. To them, the surplus means Ottawa can afford to fund everything and anything, regardless of necessity.

It is an absurd belief, but it explains why the previous Liberal government was a better steward of tax dollars when faced with annual deficits than when handling surpluses. When in the red, they had to make choices and spend more prudently.

When the Liberals assumed office in 1993, program spending stood at $122-billion. In 1999, program spending was $119-billion or three per cent *lower.* Holding down the size of government was an impressive accomplishment requiring fiscal discipline. It resulted in a more resourceful government.

Moderate budget surpluses were recorded beginning in 1998, but the cash really started to tumble in when the surplus hit $14-billion in 1999. Spending soared with this turnabout. In 2004, program spending hit an all-time high of $176-billion – an eye-popping 48 per cent increase in only five years! Such irresponsible spending underscores why collecting massive

multi-year, multi-billion dollar surpluses is terrible public policy: Budgets are busted as politicians cannot control themselves from "spending down" the excess money collected from taxpayers.

Excess tax revenues do not give lawmakers license to start wasting money. Canadians understand that saving diligently and living frugally underpin wise financial planning.

Finance Minister Jim Flaherty and former Treasury Board President John Baird are thus to be congratulated for trimming program spending, albeit by a tiny amount. (A $1-billion cut represents approximately half of one per cent of Ottawa's program spending.) Similarly, it was pleasing that the Conservative government reported program spending fell to $175-billion in the 2005 fiscal year, a drop of $1.1-billion versus the previous year. This reduction marked Canada's first year-over-year decline in 9 years — government shrunk and the sky did not fall.

One good day of announcements, however, is not a harbinger of fiscal reformation. Ottawa's spending is at risk of jumping dramatically. The Conservative's first budget pegged program expenditures in 2006 at $189-billion. Based on original estimates, Ottawa was set to boost spending this year by 5.3 per cent – hardly an insubstantial increase. Based on new figures, if this year's budget expenditures are not scaled back, spending will jump by $12.4-billion or over seven per cent! This is nearly the same average yearly increases posted by the old Liberal government in its last five years in office. Is the Conservative government's period of restraint already over?

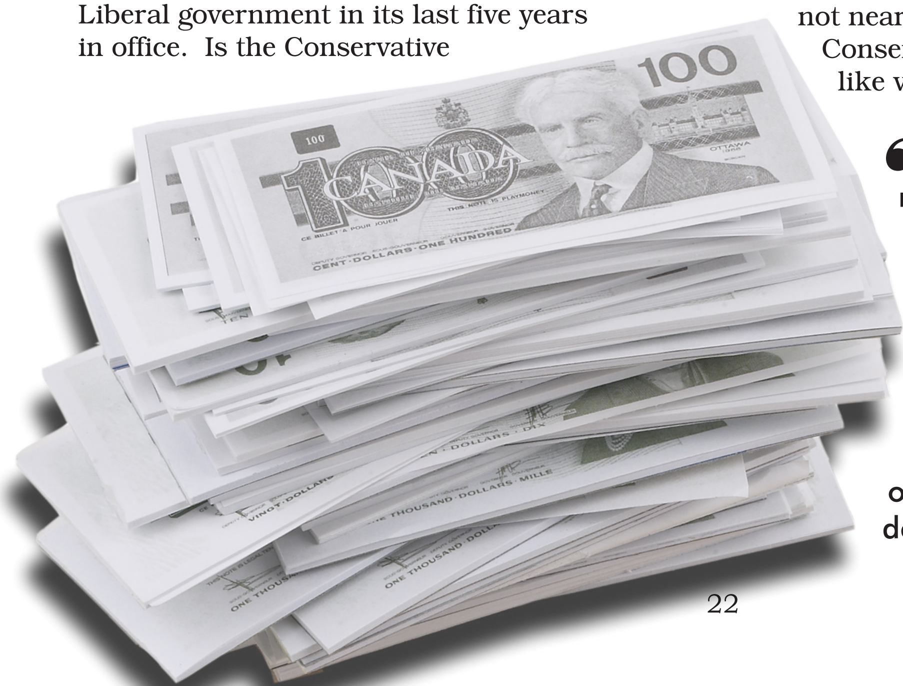
The Conservative government must ensure program spending is kept down instead of galloping ahead. As well, the federal government should collect in taxes only what is needed to fund spending priorities.

Large annual surpluses represent over-taxation by government and the money should go back to taxpayers in the form of lower income taxes. Reducing the amount of tax dollars will force lawmakers to make choices and prioritize spending requirements. And one of those priorities must be debt-repayment.

In place of the current policy of reducing debt only when a surplus is realized, Ottawa should instead set yearly debt reduction targets — as was done with the deficit — and make those targets the law. Such a change will ensure debt repayment is a budgeted priority, not an afterthought.

Mr. Flaherty recently said he will end the practice of announcing surprise surpluses. If he does (a big if), it will bring greater transparency to budget making. Taxpayers remember when the last Liberal finance minister pegged the 2003 surplus at $1.9-billion. It ended up at $9.1-billion. Canadians are fed-up with Ottawa's budget shell game.

The 2006 Budget reduced some taxes, the one-point GST cut for example, but the tax relief was not nearly as dramatic as the Conservative government would like voters to believe. Last



"Large annual surpluses represent over-taxation by government and the money should go back to taxpayers in the form of lower income taxes. Reducing the amount of tax dollars will force lawmakers to make choices and prioritize spending requirements. And one of those priorities must be debt-repayment."

year Ottawa collected $104-billion in personal income taxes, which accounts for nearly half of all revenues. An additional $33-billion in GST revenues flowed to the federal government from taxpaying consumers. Individuals and families are carrying the lion share of Canada's tax burden and deserve a break. Taxpayers will give Minister Flaherty's 2007 Budget thumbs down if it fails to provide Canadians with broad-based personal income tax cuts.

The Conservative government did the right thing last fall by resisting opposition calls to spend the surplus and for putting the balance of $13.2-billion towards reducing Canada's half-a-trillion dollar debt. However, future surpluses should not be generated on the backs of Canadians as was the case under the Liberal government. Instead, a surplus — and therefore debt reduction — will only exist if the new government resists the urge to overspend.

Asking politicians to restrain themselves with our tax dollars is like asking children not to gorge themselves on candy. Sometimes it's best to just take the bag away.■

Till death do us part: *With political will & a plan, Ottawa's monstrous debt can be eliminated*

Finance Minister Jim Flaherty revealed last year's federal surplus was $13.2-billion. The government immediately announced the entire amount would be put toward reducing Canada's federal debt. This was a good move, but a much more concentrated effort will be required to eliminate the half-trillion dollar monster debt successive governments have rung up since the 1960s.

The new Conservative government and previous Liberal government should receive some credit for paying down $81.4-billion of Canada's federal debt over the last nine years. As a result, billions of dollars are saved every year on reduced interest costs. However, Ottawa must go further by shifting from its record of debt

by Adam Taylor
National Research Director

elimination by accident to debt elimination by design. With the federal debt standing at $481.5-billion, Canada must take debt repayment seriously.

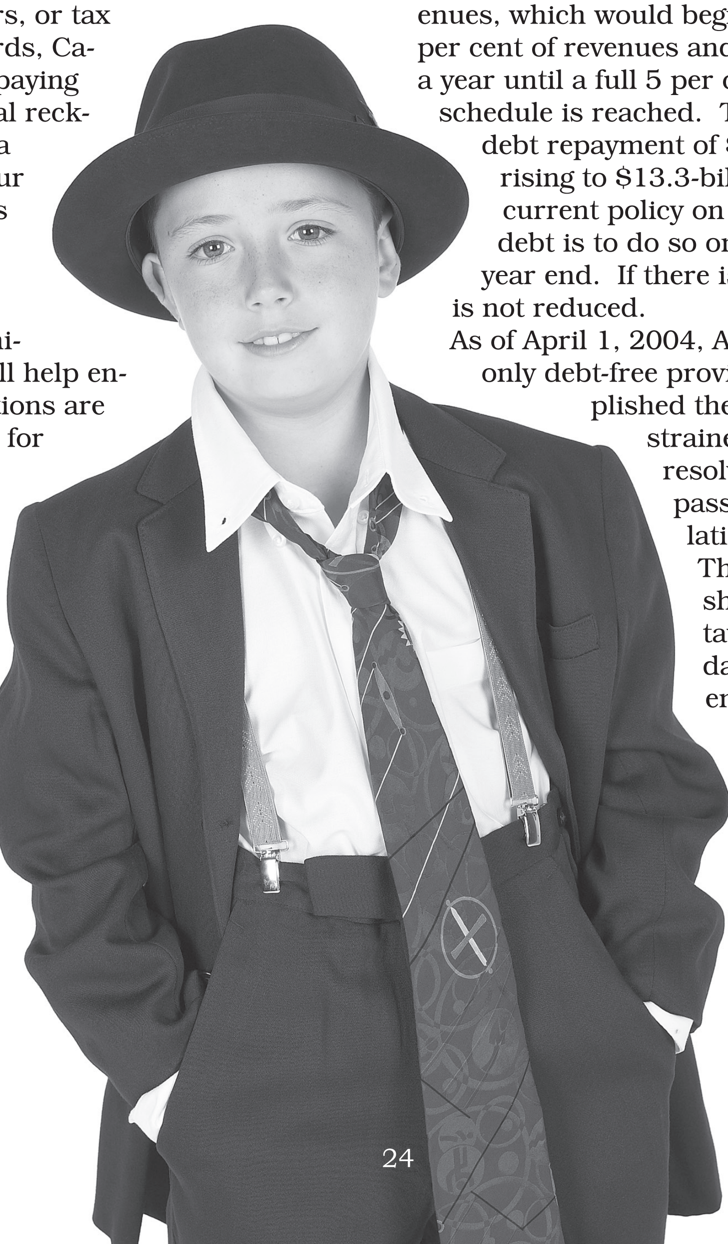
In fiscal 2005/06, Ottawa spent $33.8-billion on debt servicing. Another $34.6-billion will be spent on interest this year. That works out to $95-million a day. Paying the interest on Canada's national debt is the federal government's single largest expenditure. That's right — Ottawa spends more on interest charges than it spends on any other big ticket budget item, including senior entitlements, health care or national defence. Every dollar that goes toward the debt is one less dollar for health care, infrastructure, pensions for seniors, or tax relief. In other words, Canadians today are paying for yesterday's fiscal recklessness. Without a change of course our kids and grandkids will be paying the interest on yesterday's spending.

Taking debt elimination seriously will help ensure future generations are not saddled paying for past program expenditures. Debt elimination also frees up tax dollars. By paying down $13.2-billion in debt, the federal government will save over half a billion dollars in debt interest payments. This is a savings of $700-million each and every year.

Between 1961 and 1996, Canadian governments spent more money than they could afford, piled up budgetary deficits, and increased the federal debt from $14.8-billion to $562.9-billion. Since 1961, interest and service charges on the debt have cost taxpayers almost $1-trillion. That's *twelve* zeros after the 1 folks. This figure will continue to increase until the debt is eliminated.

With a dedicated effort, paying off Canada's federal debt is possible and it should be made law. Yes, it is an immense task but it could be done if Ottawa added a mandated debt repayment line-item in each budget. Your CTF first advocated such a policy in 1997, one year ahead of the budget being balanced. Today, we recommend a phased-in line item worth 5 per cent of revenues, which would begin next fiscal year at 1 per cent of revenues and increase by 1 per cent a year until a full 5 per cent debt elimination schedule is reached. That would guarantee a debt repayment of $2.4-billion next year, rising to $13.3-billion by 2011. Ottawa's current policy on reducing the national debt is to do so only if a surplus exists at year end. If there is no surplus, the debt is not reduced.

As of April 1, 2004, Alberta became Canada's only debt-free province. This was accomplished the old fashioned way: restrained spending and steady resolve — the province passed CTF-inspired legislation to eliminate its debt. The same ingredients should be applied in Ottawa to wipe away Canada's debt. Assuming revenue growth of three per cent a year, and by dedicating five per cent of



"Since 1961, interest and service charges on the debt have cost taxpayers almost $1-trillion. That's twelve zeros after the 1 folks."

revenues to debt relief, Ottawa could be debt-free by 2034, less than thirty years away. It could be done even faster if the federal government began the sale and divestiture of Crown assets – many of which were acquired in times of budget deficits.

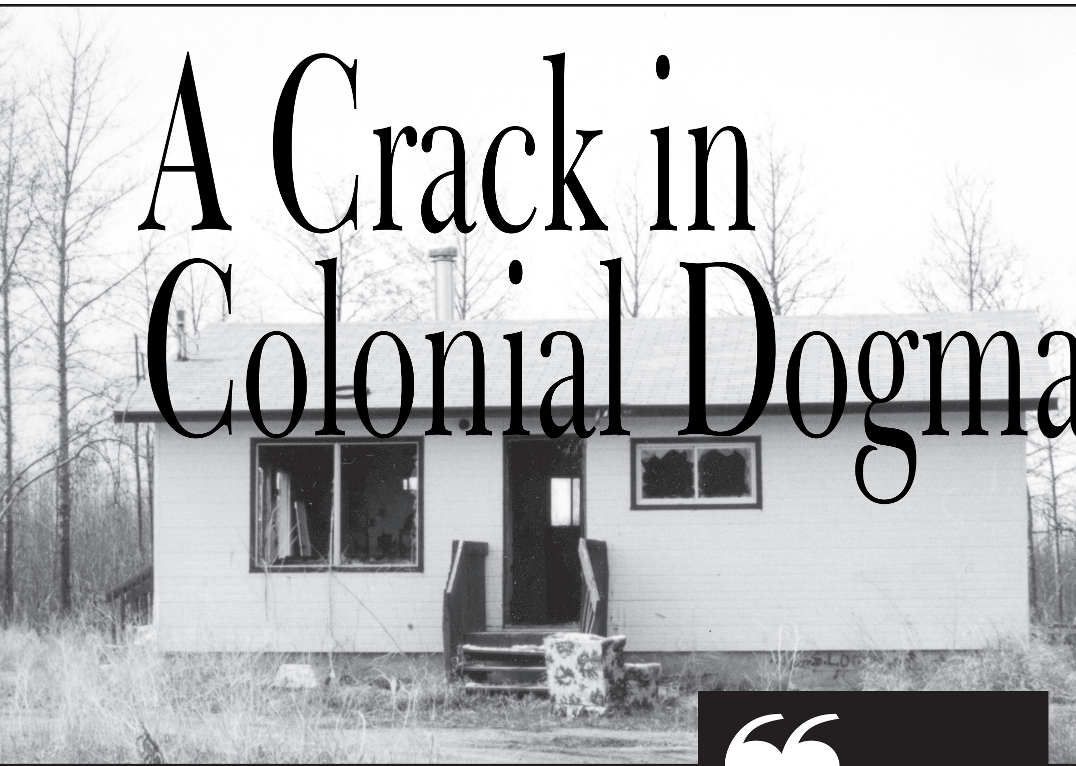
Focusing greater attention on paying off the debt will have other immediate benefits. As the national debt declines, significant savings would be realized through reduced debt interest payments. That money could be used for a variety of things – tax relief, or additional resources for health and pension benefits.

“As the national debt declines, significant savings would be realized through reduced debt interest payments. That money could be used for a variety of things – tax relief, or additional resources for health and pension benefits.”

Since the books were first balanced almost ten years ago, politicians have once again ramped up spending and made multi-billion dollar surpluses seem like a sign of fiscal competence. Debt repayment has become an afterthought. This is a mistake. With political will and a plan, Canada's debt could be eliminated. This would be good for all – it would tackle yesterday's mistakes head on, and ensure that we don't completely handcuff and sell out the taxpayers of tomorrow. ■

Federal Government Debt Elimination Schedule

Fiscal Year	Revenue Estimate ($-billion)	Debt Repayment ($-billion)	Federal Debt ($-billion)
2007-08	235.8	2.4	479.1
2008-09	242.9	4.9	474.2
2009-10	250.2	7.5	466.7
2010-11	257.7	10.3	456.4
2011-12	265.4	13.3	443.2
2012-13	273.4	13.7	429.5
2013-14	281.6	14.1	415.4
2014-15	290.0	14.5	400.9
2015-16	298.7	14.9	386.0
2016-17	307.7	15.4	370.6
2017-18	316.9	15.8	354.8
2018-19	326.4	16.3	338.4
2019-20	336.2	16.8	321.6
2020-21	346.3	17.3	304.3
2021-22	356.7	17.8	286.5
2022-23	367.4	18.4	268.1
2023-24	378.4	18.9	249.2
2024-25	389.7	19.5	229.7
2025-26	401.4	20.1	209.6
2026-27	413.5	20.7	189.0
2027-28	425.9	21.3	167.7
2028-29	438.7	21.9	145.7
2029-30	451.8	22.6	123.1
2030-31	465.4	23.3	99.9
2031-32	479.3	24.0	75.9
2032-33	493.7	24.7	51.2
2033-34	508.5	25.4	25.8
2034-35	523.8	26.2	-0.4



A Crack in Colonial Dogma?

By Sara MacIntyre

Tainted water, rotting homes, annual flooding, 85 per cent unemployment, escalating rates of suicide—sound like Canada? Unfortunately, it's the desperate circumstances of a remote community in northern Ontario. The residents of the Kashechewan reserve have been evacuated three times in the past two years due to health hazards from drinking water to sewage back ups.

Unacceptable? Yes. Shameful? Absolutely. Unique? No.

Not long ago, Canadians watched in disbelief the disturbing images of kids living in squalor and sniffing gasoline in the remote reserve of Davis Inlet in Newfoundland and Labrador. Those reserve residents were twice moved to new locations but with no change in social pathologies that plagued the community. Why? The moves were mere transplants; the same ill conceived colonial policies remained. The only difference was the surroundings.

A similar crisis emerged in the reserve community of Pikangikum, Ontario. Again, a remote, isolated and economically untenable reserve, Pikangikum has witnessed 23 suicides this past year alone. Houses are dilapidated, and only a few have water and sewage services.

Another northern reserve community, Attawapiskat, declared a state of emergency due to a sewage waste leak in the river where the reserve gets its drinking water.

There are 49 reserves across the North with 19 under boil water advisories. These communities are hundreds of kilometers from any type of town centre, hospital, post-secondary facility — and apart from the occasional media report—the minds of decision makers that should be taking the lead role to end this intolerable legacy of colonialism.

> "Keeping aboriginal communities shut out of the economic and social opportunities of a modern economy because of the absurd notion that their traditional way of life four hundred years ago has been untouched is not only patronizing but has lead to great suffering."

There is, however, a glimpse of humanity percolating in Ottawa. Recently, special federal representative Alan Pope presented his report and recommendations to the Minister of Indian Affairs on the problems facing the Kashechewan reserve.

Mr. Pope was appointed in June of 2006 to develop a long term and sustainable solution for the community of Kashechewan. After going door to door to meet with reserve residents and studying the issues for a five month period, Mr. Pope presented several proposals

to the federal government.

The report favours moving the community to the outskirts of Timmins for a "fresh start." It does not, however, set out how the relocation would take place. But the details of the recommendation are less important than its implications. Keeping aboriginal communities shut out of the economic and social opportunities of a modern economy because of the absurd notion that their traditional way of life four hundred years ago has been untouched is not only patronizing but has lead to great suffering.

The recommendation to move near a town centre is a tacit admission that the status quo policy of keeping communities isolated in remote albeit, traditional areas, has been a failure. Acknowledging the hardship this failed policy has inflicted may be yet another step to re-thinking aboriginal policy and may help to build a foundation for prosperity for Canada's aboriginal people.

Alan Pope, also a resident of Timmins, holds hope and faith that the families of Kashechewan can be contributing, healthy members of his community. He also acknowledges that the key recommendation of his report may ignite a political debate for other troubled, isolated reserves in Canada. Hopefully, the Minister of Indian Affairs will demonstrate the same fortitude, common sense and compassion as Mr. Pope when it comes time to make a decision about the future for the people of Kashechewan. Perhaps this is the light at the end of Canada's dark colonial tunnel.■

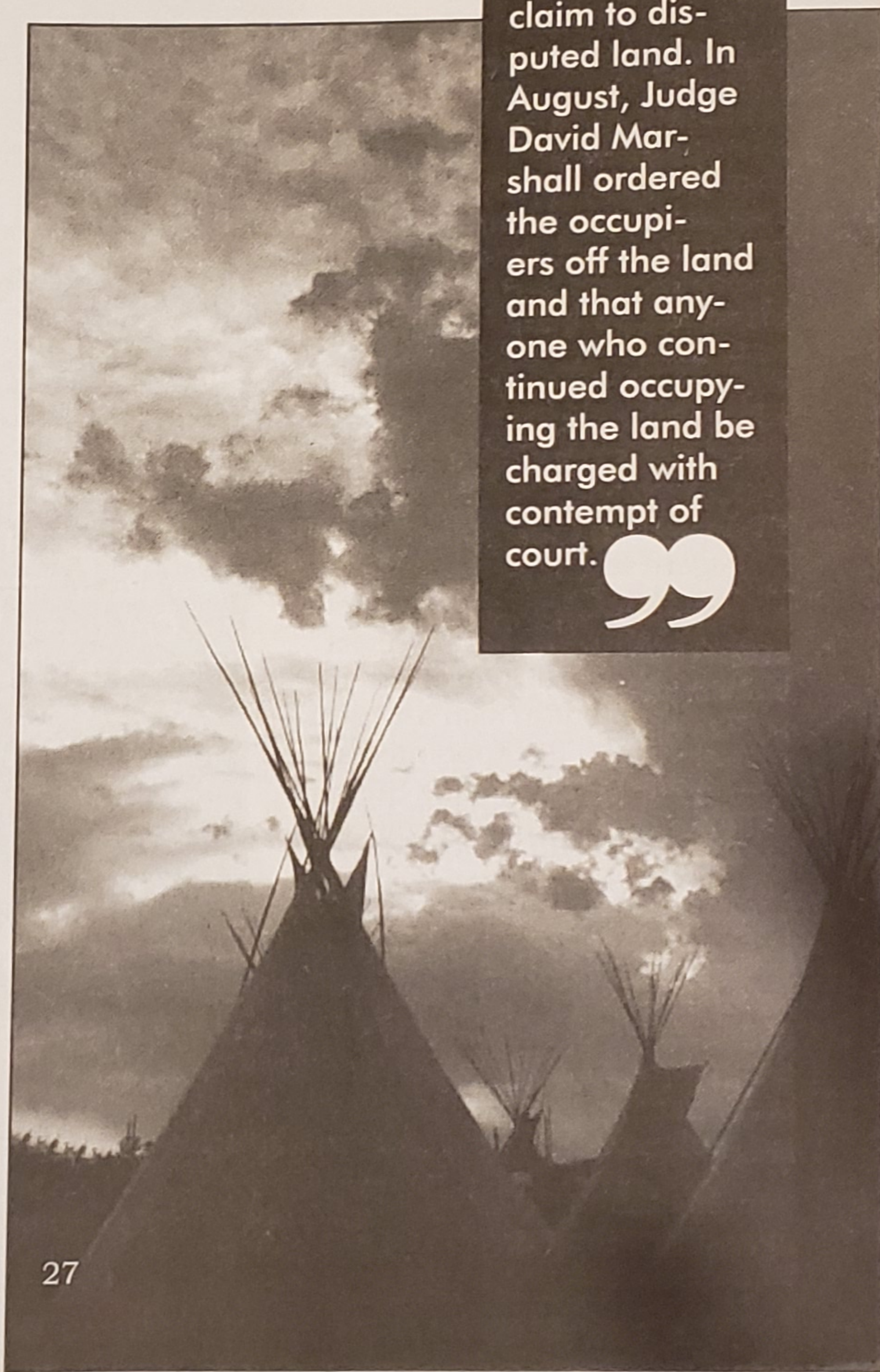
Caledonia: Nothing to show but a $40-million bill

By Neil Desai

It has been close to a year since natives of the Six Nations reserve began occupying a disputed piece of land earmarked for a real estate development in Caledonia, Ontario. In this time, the people of Caledonia and the Six Nation reserve have come no closer to a resolution. If anything, they are further apart.

This growing rift is not the result of the Six Nations reserve and residents of Caledonia wanting to continue the standoff. It stems from complacency shown by politi-

> **"There is no clear cut evidence that the people of the Six Nation's reserve have a legal claim to disputed land. In August, Judge David Marshall ordered the occupiers off the land and that anyone who continued occupying the land be charged with contempt of court."**



cians in Toronto and Ottawa. The result? A hefty bill for taxpayers.

The provincial government bought the disputed land for $15.8-million. Plus $6.9-million to purchase surrounding land developments. Another $1.4-million was given in financial assistance to Caledonia businesses that have lost revenues. On top of $15-million the Ontario Provincial Police have already spent for around-the-clock security, police costs continue to grow as the days and weeks pass without a resolution.

There is no clear cut evidence that the people of the Six Nation's reserve have a legal claim to the disputed land. In August, Judge David Marshall ordered the occupiers off the land and that anyone who continued occupying the land be charged with contempt of court. While some minor auxiliary charges have been laid the illegal occupation has continued.

> “The provincial government bought the disputed land for $15.8-million. Plus $6.9-million to purchase surrounding land developments. Another $1.4-million was given in financial assistance to Caledonia businesses that have lost revenues. On top of $15-million the Ontario Provincial Police have already spent”

Every day this conflict continues is another day that Dalton McGuinty continues to show disregard for Ontario taxpayers. The premier has yet to step foot on the disputed land and meet with all the parties involved. He is quite content to sign a $1200 a day cheque to his appointed special representative, Jane Stewart, and downplay the importance of the issue.

More recently, Premier Dalton McGuinty and Provincial Aboriginal Affairs Minister David Ramsay say they have finally come up with a solution. They must have gotten their hands on a copy of the Canadian Constitution because their message has suddenly shifted: The Caledonia standoff is the responsibility of the federal government and they should be the ones picking up the tab. And just like that, the McGuinty Liberals are off the hook!

If it only were that simple. Instead of delivering that message when the standoff broke out in February, Minister Ramsay decided to wait 8 months and deliver the accumulated $40-million bill to his federal counterpart, Aboriginal Affairs Minister Jim Prentice.

Minister Prentice and his leader Prime Minister Stephen Harper have themselves stood idle on the Caledonia file. Their message to Minister Ramsay - while not explicit - was clear:

The federal government has nothing to gain from involving itself in the Caledonia standoff. Since Ontario took the lead on tackling the issue they should foot the lion's share of the bill and find a resolution. Nevertheless, the prime minister has softened his stance and agreed to have the federal government foot a portion of the policing bill.

One wonders if the government would show the same complacency if Caledonia was a hospital with illegal strikers blocking the entrance? Would they ignore a court order to arrest anyone illegally picketing? Would they spend millions of dollars to purchase the land so that the picketers could continue with their strike? Would they spend millions more for round the clock security for the strikers?

The provincial government began the process by purchasing the land. It's their responsibility to step up to the plate and enforce the law. Writing cheques and ignoring the problem is not going to make it go away.■

Conservative back-flip on race-based fisheries

By Mark Milke

In response to a June, 2006, column I wrote for the *Calgary Herald* which argued the federal Conservatives *de facto* endorsed race-based commercial fisheries, Prime Minister Stephen Harper responded with a promise. He stated in his July letter to the Herald, “In the coming months, we will strike a judicial inquiry into the collapse of the Fraser River salmon fishery and oppose racially divided fisheries programs.”

That was clear and should have ended the internal Tory debate. But apparently two of his ministers, Jim Prentice and Loyola Hearn, and their bureaucrats didn't get the message — odd, given that one of them publicly repeated Mr. Harper's pledge.

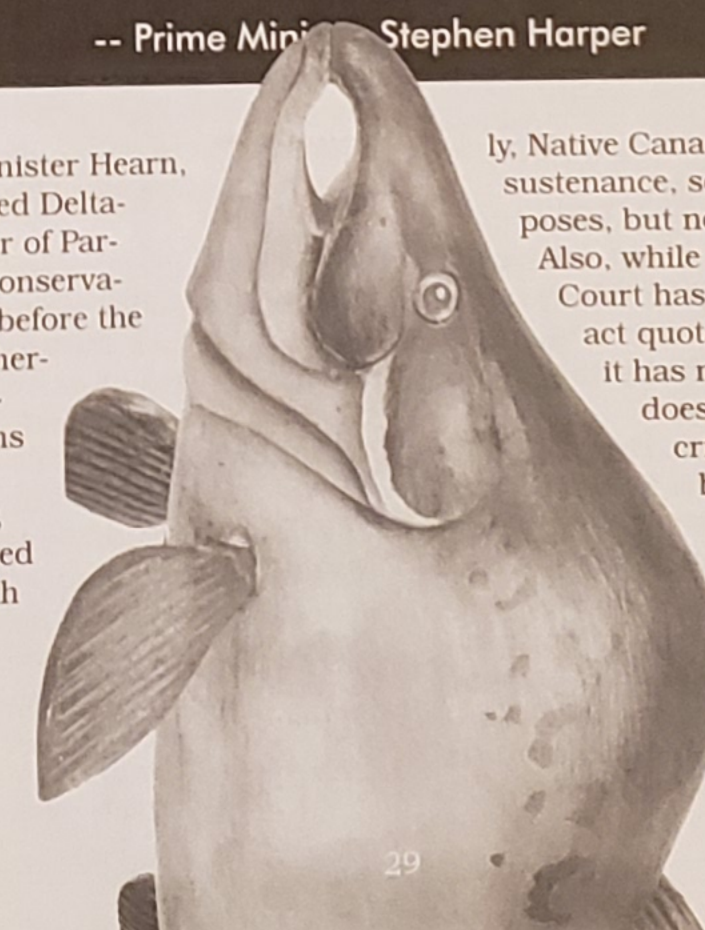
> “In the coming months, we will strike a judicial inquiry into the collapse of the Fraser River salmon fishery and oppose racially divided fisheries programs.”
>
> -- Prime Minister Stephen Harper

First up is Fisheries Minister Hearn, who last month chastised Delta-Richmond East Member of Parliament — and fellow Conservative — John Cummins before the House of Commons fisheries and oceans committee. “We've had problems on the West Coast this year,” said the minister, “and a lot of them caused by a group involved with you, Mr. Cummins.”

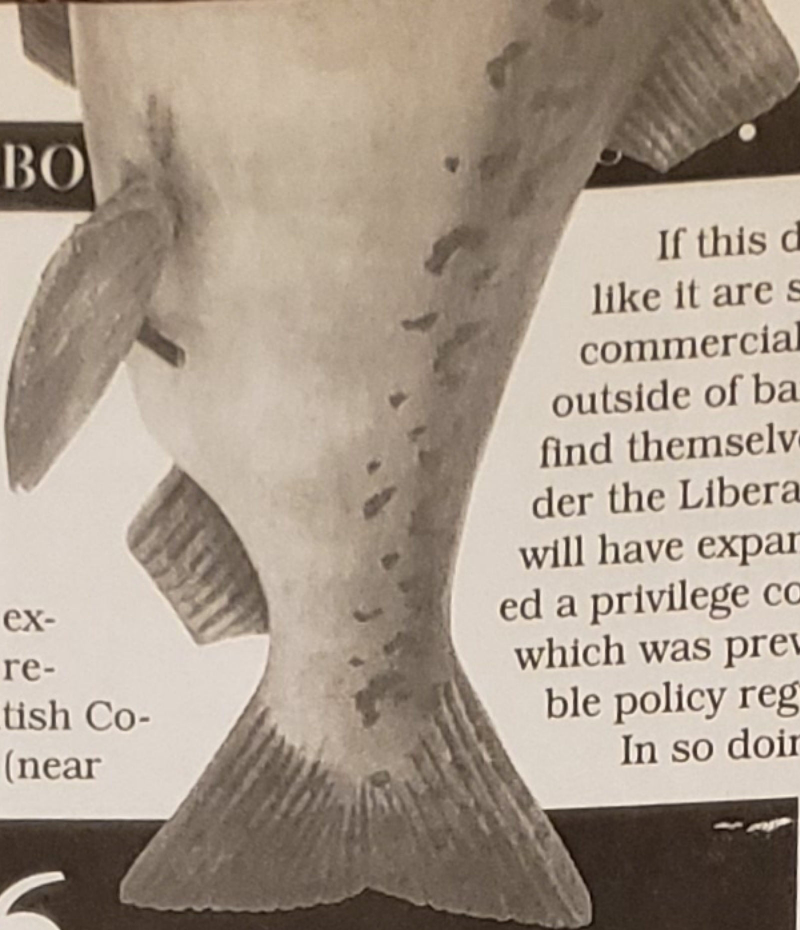
Mr. Hearn's target was the B.C. Fisheries Survival Coalition, a group composed of native and non-native fishermen. With Mr. Cummins, they have long opposed racial divisions in the Fraser River's commercial fishery. The segregation — some natives can fish while non-natives sit on the dock — was established in the early 1990s by the department Minister Hearn now heads. But the Conservative minister, as with many Liberals before him, pressured West coast commercial fishermen to accept a permanent racial division.

Many declined and for good reason. First, the Fraser fishery was always one of the most integrated workforces in the country, with near 40% of the fishermen having native ancestry. Any government-engineered division was unnecessary and harmful to race relations.

Second, separation was not required by law. Constitutionally, Native Canadians can hunt and fish for sustenance, social and ceremonial purposes, but not for commercial purposes. Also, while in past rulings the Supreme Court has allowed governments to enact quotas in the commercial fishery, it has not mandated them. “May” does not equal “must.” This is a critical distinction overlooked by those who support racially segregated fisheries.



But back to the politicians and bureaucrats and the second minister to muddle Mr. Harper's promise: Indian Affairs Minister Prentice, who back in July reiterat-



ed the Prime Minister's promise to end discrimination in the commercial fishery. Indian Affairs negotiators have drafted agreements which, if approved by Parliament, will activate a race-based commercial fishing privilege where none existed before. One example is the recent treaty signed by Ottawa, British Columbia, and the Lheidli T'enneh (near Prince George). A side agreement provides for a Lheidli T'enneh-only share of the commercial harvest for Upper Fraser Sockeye Salmon.

The agreement's defenders, chief among them Minister Prentice, claim the commercial harvest guarantee is not a race-based privilege. "This is not a fishery on the Fraser River that we're proposing that is racially segregated," said Mr. Prentice in a recent interview with the Vancouver Sun. "It is quota-segregated, if you will, or harvest allotment-segregated."

This is a distinction without a difference. Once the treaty and side agreement are approved, the Lheidli T'enneh will possess a guaranteed share of the commercial harvest because they are a native band which negotiated a native-only privilege. If it swims, waddles, and quacks like a race-based exception, it is.

Another tack taken by the defenders of the Lheidli T'enneh agreement is that it cannot possibly be a segregated commercial fishery because, as the deal's fact sheet states, "it and its management would be integrated within the general commercial fishery."

But Messrs. Harper, Prentice, Hearn, and B.C. Minister of Aboriginal Relations Mike DeJong should not swallow bureaucratic codswallop served up by their departments. It does not matter if the management of the guaranteed share of the commercial harvest is integrated. The privilege exists in the guaranteed share, not in who manages it. And this off-limits portion of the commercial fishery will multiply with each new Lheidli T'enneh-like agreement.

If this deal is passed and more like it are signed, non-native B.C. commercial fishermen (and natives outside of bands with such deals) will find themselves worse off than under the Liberals. The Conservatives will have expanded and legally cemented a privilege connected to ethnicity, one which was previously at least a changeable policy regulation.

“If this deal is passed and more like it are signed, non-native B.C. commercial fishermen (and natives outside of bands with such deals) will find themselves worse off than under the Liberals.”

In so doing, both Ministers Prentice and Hearn will have — deliberately or passively — allowed bureaucrats to defy the Prime Minister and deny his stated intention to change a previous government's policy, an adjustment admirable for its steadfast attachment to ethnic neutrality.

Everyone except Mr. Prentice and his mandarins are frank about the word games being played. British Columbia reporters and columnists — including the *Sun's* Vaughn Palmer and the *Victoria Times Colonist's* Les Leyne – have concluded race-based fishing is going ahead and will be entrenched in agreements, despite the Prime Minister's promise.

West coast fishermen, and indeed any Canadian who believes it is wrong to extend racial divisions when there is no constitutional or treaty requirement to do so, should complain long and loud to Conservative MPs and to the Prime Minister.

If Messrs. Prentice and Hearn continue to freelance on policy — or wink wink, nudge nudge — let their bureaucrats do it for them, racial division will be exacerbated, not ameliorated. Such agreements will correctly be seen as a betrayal by the West Coast commercial fishery. And — given their promise this summer — it will shred the credibility of Prime Minister Harper and Minister Prentice. It is a worse outcome than if they had never promised to end race-based fishing in the first place.■

Mark Milke, a former director with the Canadian Taxpayers Federation from 1997 to 2002, is author of *A Nation of Serfs? How Canada's Political Culture Corrupts Canadian Values.*

New Year Tax Relief

Canadians to pay less

Thanks to lower income tax bite & GST cut

John Williamson & Adam Taylor

Every year your Canadian Taxpayers Federation (CTF) releases projected income and payroll tax changes that kick in on January 1. The good news is that all taxpayers will pay less tax this year. A new employment tax credit – called the Canada Employment Credit – will increase to $1,000 for the 2007 tax year, up from $250 in 2006. This credit works like the basic personal exemption, which is set at $8,929 this year, and means workers will not pay income tax on the first $9,929 of earnings.

A fourfold increase in the Canada Employment Credit permits the Conservative government to truthfully assert taxes are going down even though Canadians will pay more payroll taxes and the lowest personal income tax rate, applied to the first $37,178 of income, will rise a quarter-point to 15.5% from 15.25%. This pleasant testimonial is only strengthened by the one-point GST reduction that will save consumers approximately $4.5-billion in '07.

Some taxpayers will benefit much more than others. Ottawa will take less from the average individual taxpayer, but the amount is a pittance – 106 dollars to be exact. (See chart for federal income and payroll tax changes on page 33.) Low-income individuals, earning less than $25,000 annually, profit the most because they benefit from the employment credit and less income is subject to the 0.25% income tax rate increase.

Employment Insurance (EI) premium rates will drop by seven cents on January 1 to $1.80 for employees (per $100 of insurable earnings) from the current rate of $1.87. (The corresponding employer rate will drop by 10 cents to $2.52 from the current rate of $2.62.) Yet this gain is mostly offset because the

“A fourfold increase in the Canada Employment Credit permits the Conservative government to truthfully assert taxes are going down...”

tax rate will be applied to more income. Ottawa is giving tax relief with one hand and taking it back with the other. The maximum insurable earnings will rise from $39,000 to $40,000. This was not an inflationary boost as the previous EI threshold increase was in 1995. Ottawa was wrong to increase the EI threshold when the program continues to amass an annual $2-billion surplus. The seesaw EI changes represent a mere $9.30 reduction from 2006 levels.

> "Ottawa was wrong to increase the EI threshold when the program continues to amass an annual $2-billion surplus."

Canada Pension Plan (CPP) payroll taxes will also rise by $79.20. While the tax rate will remain unchanged, the income threshold will increase to $43,700 from the 2006 level of $42,100. The bottom line is the net payroll tax bill on workers will increase by $69.90 (and $65.40 for employers) because EI tax reductions will be gobbled up by a higher EI threshold and rising CPP payments.

Without a doubt the biggest winners are families with young children. They will rocket ahead thanks mostly to the monthly $100 payment for each child under age 6. Although this bonus is taxable, it nonetheless provides significant relief. (See charts, below.)

If taxpayers are looking for a break, they should have more children or consider retirement as the other group of winners is seniors. They benefit thanks to a $1,000 boost in the age credit. (This income tax credit for Canadians 65 years of age and older increased to $5,066.) The change was, in fact, made retroactive to January 1, 2006. As a result, lower and middle income seniors will recoup up to $150 of additional income tax relief for '06 and couples up to $300. (The credit starts to be phased out when net in-

All Taxes - Two Earners $80,000 Family of 4 with 2 Young Children

	NL	PEI	NS	NB	PQ	ON	MB	SK	AB	
2006	19,863	18,948	18,788	18,696	19,744	16,858	19,287	18,785	17,861	1
2007	19,123	18,181	17,987	17,831	18,944	15,976	18,386	17,924	16,921	1
Savings:	740	767	801	865	800	882	901	861	940	

$80,000 Single Earner No Children

	NL	PEI	NS	NB	PQ	ON	MB	SK	AB	
2006	27,312	26,169	25,949	25,715	28,080	22,936	25,852	24,805	22,648	2
2007	27,072	25,930	25,686	25,397	27,775	22,519	25,429	24,528	22,346	2
Savings:	240	239	263	318	305	417	423	277	302	

Notes: Federal taxes are broken out separately and are included in provincial totals. / Payroll taxes (CPP and EI) are included in the total personal income tax b
Tax calculations assume a basic personal exemption, the employment tax credit, and a spousal exemption in one earner families. / Family tax calculations assu
children under age of six, include Canada Child Tax Benefit and $1,200 (pre-tax) Universal Child Care Benefit. / Projections for 2007 are based on known tax cha

New Year Tax Relief

come reaches $30,270 and is fully phased-out when net income reaches $64,043.)

Even better for pensioners is Ottawa will now permit them to split income for tax purposes. All said these two benefits will provide one billion dollars of new tax relief annually for Canadian seniors.

But should tax relief create such obvious winners and losers? Those Canadians lucky enough to qualify for a tax credit will be pleased with any reduction, but many others will be left behind. Moreover, adding new tax credits, exemptions and payments, only further complicates an already complex tax code.

The government should be looking at meaningful and broad-based tax relief for *all* Canadians, not just those who meet specific – and to be blunt, election-friendly – criteria.

To correct all this, your CTF proposes to increase both the basic personal and spousal exemptions to $15,000 over four years. This will save taxpayers $940 a year. Such a change would remove 1.7 million low-income Canadians from the tax rolls. In addition, the top two personal income tax rates should be reduced by 3% – phased-in over three years – from 29%-to-26% and 26%-to-23%.

On the day Prime Minister Stephen Harper shuffled his cabinet he said his minority government is preparing tax cuts for its next budget. "Budget 2007 will make Canada stronger by keeping federal spending focused on results, by cutting taxes further for individuals and families and by restoring fiscal balance to our federation," he told Canadians.

> "Your CTF proposes to increase both the basic personal and spousal exemptions to $15,000 over four years. This will save taxpayers $940 a year. Such a change would remove 1.7 million low-income Canadians from the tax rolls. In addition, the top two personal income tax rates should be reduced by 3% – phased-in over three years – from 29%-to-26% and 26%-to-23%.."

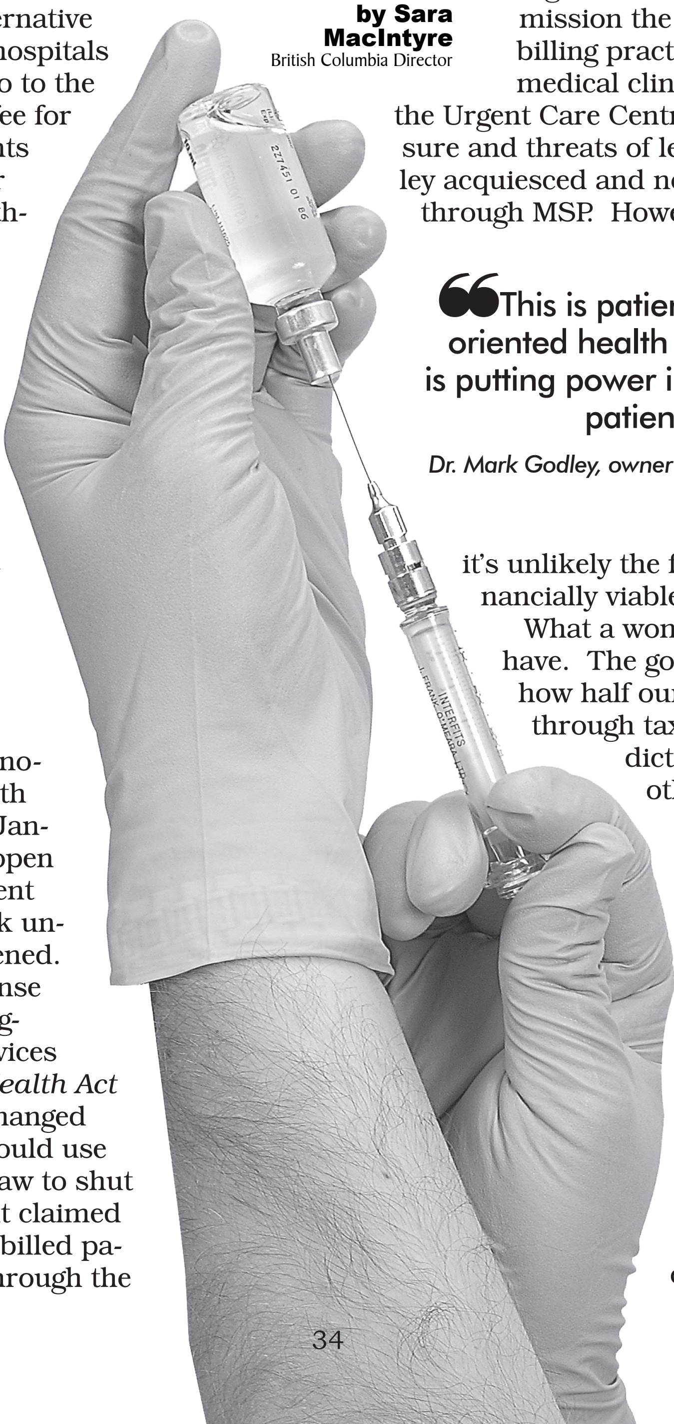
Since Ottawa's books were first balanced in 1998, the federal government has amassed $81.4-billion in surpluses while ordinary taxpayers have barely gotten ahead. The surplus will likely exceed $10-billion again this year. Ottawa is still taking too much money from Canadians. The 2007 budget must address the only true fiscal imbalance that exists, the one between government and taxpayers.■

Federal Income & Payroll Taxes 2007 vs. 2006 - Select Incon

Income	EI Tax	CPP Tax	Income Tax	07 Total	06 Total	Savi
$15,000	$270	$743	$629	$1,642	$1,768	$12
$35,000	$630	$1,733	$3,561	$5,924	$6,006	$8
$45,000	$720	$1,990	$5,524	$8,234	$8,340	$10
$60,000	$720	$1,990	$8,824	$11,534	$11,640	$10
$80,000	$720	$1,990	$13,450	$16,160	$16,392	$23
$100,000	$720	$1,990	$18,650	$21,360	$21,486	$12

If you build it, they will come

by Sara MacIntyre
British Columbia Director



The province's first ever private emergency room opened its doors in Vancouver on December 1. The $10-million Urgent Care Centre offers patients timely access to doctors, state of the art diagnostic equipment and extended hours. As an alternative to waits at most public hospitals patients can choose to go to the Urgent Care Centre for fee for service treatment. Patients would be billed $195 for initial diagnosis while other services range from $70 for on-site lab testing to $750 for an MRI. That's immediate access to an MRI—no waits and blood tests are done at the patient's bedside! The Centre does not treat ambulance patients such as heart attack victims but does treat 'urgent' cases like broken arms, flu or other non-emergent illnesses.

Although the Centre's owner Dr. Mark Godley notified the provincial health ministry in writing last January of his intention to open the facility, the government claimed to be in the dark until the week before it opened. The government's response was heavy handed; charging that the facility's services breached the *Canada Health Act* and unless the Centre changed its billing practices, it would use the fullest extent of the law to shut it down. The government claimed that because the Centre billed patients directly and not through the Medical Services Plan (MSP) it contravened provincial and federal health laws.

But the provincial government did not stop with just idle threats; it gave the Medical Services Commission the power to audit the billing practices of any private medical clinic or centre, including the Urgent Care Centre. Under such pressure and threats of legal action, Dr. Godley acquiesced and now bills his services through MSP. However, because of this, it's unlikely the facility will remain financially viable.

> "This is patient-centred, patient-oriented health care delivery. This is putting power in the hands of the patients."
>
> *Dr. Mark Godley, owner of the Urgent Care Centre.*

What a wonderful system we have. The government dictates how half our incomes are spent through taxes. Now they want to dictate how we spend the other half by prohibiting us from spending our own after-tax dollars on health services. Spend all you want on gambling, alcohol and tobacco, but whatever you do, don't spend it on health care!

The government may have won this round with Dr. Godley, but the health care debate is far from over! ■

Tired of waiting? Call Rick Baker

Imagine being diagnosed with a serious medical condition that required major surgery. The surgery date is set, weeks after the initial diagnosis, and then on the day of the surgery, it's cancelled. Another surgery date is set, weeks later again, and it is cancelled again because your surgeon has used up his allotted operating room time.

Well, it happened to a patient in Kelowna. Frustrated, sick and feeling condemned to wait in Canada's rationed health care system, Shirley Healey contacted the services of Rick Baker at Timely Medical Alternatives.

The company, located in Vancouver, connects Canadian patients with American hospitals. Healey went to Bellingham, Washington for a consultation and had her surgery the next day. She is convinced the surgery saved her life and would do it again. The procedure cost $41,000 US and Healey is trying to get the provincial government to cover some of it. But, because she didn't fill out paper work before her surgery, bureaucrats have said her application will most likely be rejected.

Rick Baker has threatened legal action against the provincial government if it does not help Shirley Healey, a pensioner, with some of her medical bills. He recently launched legal action against the Ontario government for a similar case.■

> "Healey went to Bellingham, Washington for a consultation and had her surgery the next day."

Timely Medical Alternatives

Can arrange surgeries within a couple of weeks and diagnostic procedures within days. It is one more example of the public's demand for choice in health care.

Contact info:

www.timelymedical.ca or 1-866-8TIMELY

Weigh in on the debate!

You probably received the government's four page brochure on its "health care conversation." The $10-million conversation may prove to be nothing more than the usual dog and pony show, but it may also be the first step to substantial reform in health care. Your CTF has requested to make a presentation during the regional forums but spots are limited and presenters chosen randomly.

As the largest budget pressure, health care is one of the most important taxpayer issues. According to the government's own figures, $35-million a day goes to health. It is crucial the government hears from ordinary taxpayers about the need for choice in health care.

Go to the website: www.bcconversationhealth.ca or call toll free 1-866-884-2055 and have your voice heard. ■

Alberta

Albertans

want the right to recall politicians and impose spending limits

In October 2006, the Canadian Taxpayers Federation contracted Ipsos-Reid to poll 800 Albertans on their attitudes towards the right to recall politicians (a right only enjoyed in BC currently – albeit with flaws), and the Alberta implementation of legislated spending limits.

Question #1: Recall

As you may know, British Columbia is the only province in Canada that allows local voters to recall an elected MLA for inappropriate behaviour or breaking campaign promises. A recall can take place if a significant number of eligible voters sign a petition requesting that a by-election be held.

Would you support or oppose adopting a recall law in Alberta?

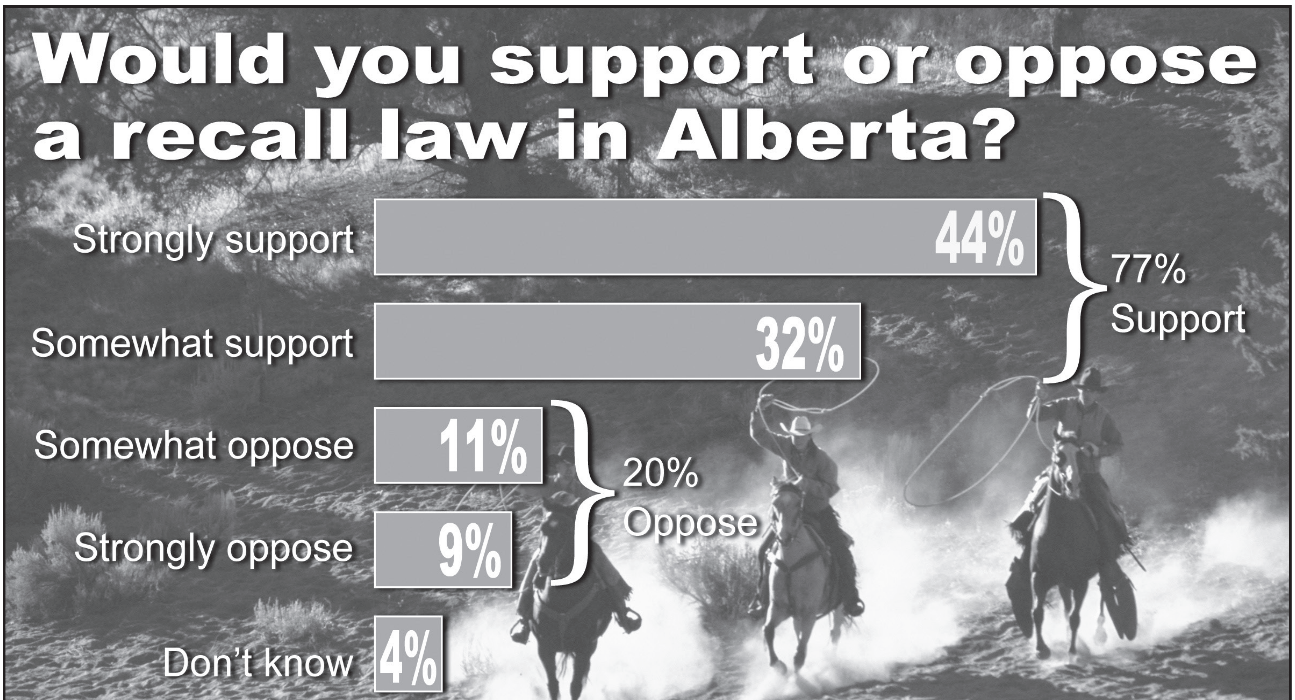
2006-07 CTF Supporter Survey

Do you believe Albertans should have the right to recall their elected officials?

Yes	83%
No	8%
Undecided/No Response	9%

The results:

- 77 per cent of respondents indicated they either somewhat or strongly support the Alberta government adopting the right to recall their elected officials.
- Less than one in ten Albertans were "strongly opposed" to such measure.
- CTF supporters are also strong in support of introducing recall provisions.



Question #2: Legislated spending limits

Would you support or oppose legislation in Alberta that would restrict annual growth in provincial government program spending to some measure such as the rate of inflation and the rate of population growth?

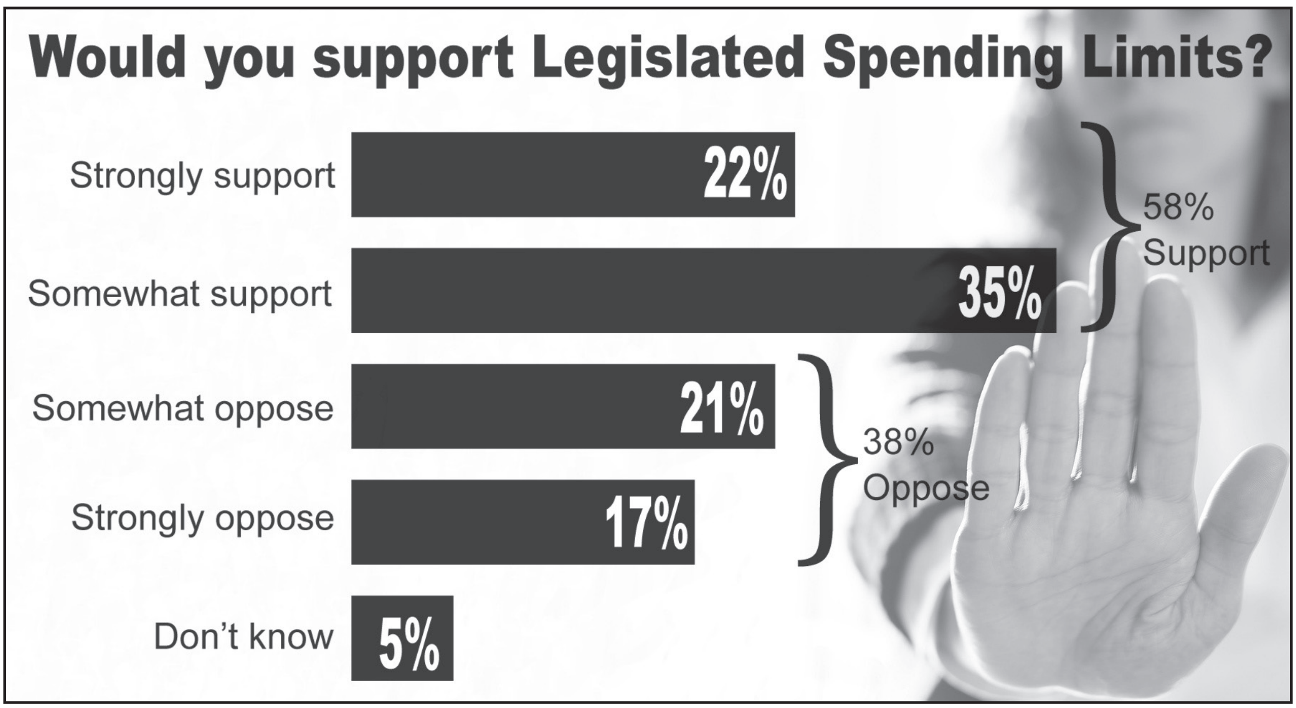
The results:

- 58 per cent of all respondents were either somewhat or strongly in support of introducing legislation in Alberta that would restrict annual growth in government spending. Only 17% were strongly opposed to such legislation.
- CTF supporters in Alberta listed "Improved fiscal practices to control spending and protect taxpayers" as their number one priority for the CTF in Alberta over the next 12 months.■

2006-07 CTF Supporter Survey

What should your CTF's top priority be in Alberta for the next 12 months?

- Improved fiscal practices to control spending and protect taxpayers 29.5%
- Eliminating health care premiums and the 3% tax on insurance 13.9%
- Lower income taxes through an increased basic personal exemption 13.3%
- Uncovering and exposing wasteful government spending 11.6%
- Health care reform 8.7%
- Increasing the amount of resource revenues that are saved for the future 8.7%
- Fixed election dates and MLA recall 6.9%
- A law to enable Albertans to initiate & vote in referendums on issues of their choice 4.6%
- Other/ DNA 2.9%



Alberta

Premier Ed Stelmach answers a few questions

In October 2006, a series of questions were posed to Alberta's eight PC leadership candidates. Candidate responses were compiled, graded and published in: *A Taxpayers' Platform*. Wondering what Alberta's new Premier, Ed Stelmach, has to say about cutting taxes, controlling Alberta's wild spending, opening up Alberta to more democracy and reforming health care?

Taxes

Will you eliminate the health care premium tax?

Ed Stelmach: No. I don't like health care premiums, so I want to have the debate about eliminating them – but that is a debate that has to take place in caucus and in our party policy forums first.

Will you eliminate the hidden sales tax on insurance premiums?

Ed Stelmach: This is something I'd like to address, but I am serious about involving people, and especially MLAs in these debates prior to pronouncements being made that exclude opportunities for debate. The only absolute for me is to run balanced budgets and budget conservatively.

Will you eliminate the education property tax?

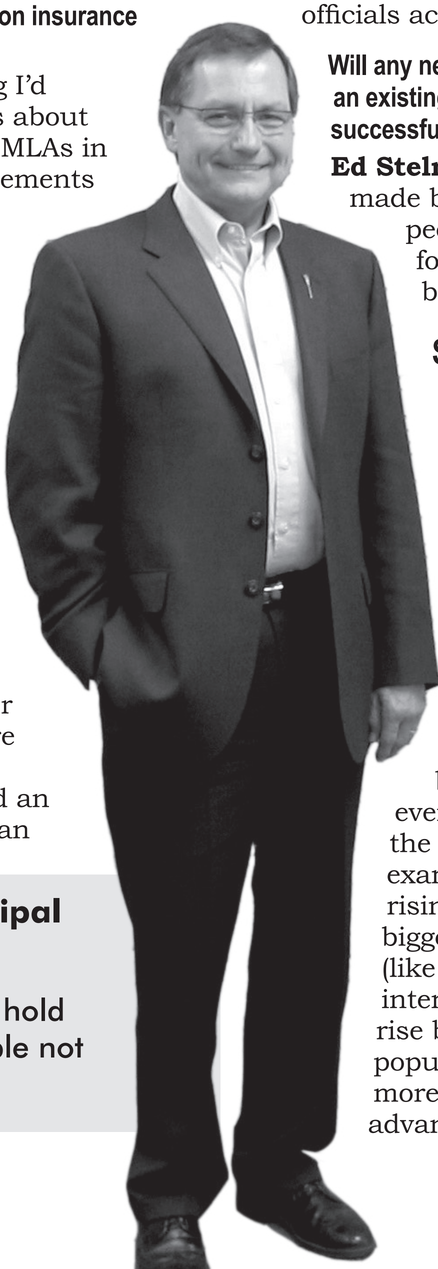
Ed Stelmach: Municipalities are strapped for cash. If education property taxes were eliminated the money for education would have to come from another pocket, likely resource royalties from the sale of non-renewable oil and gas. This will make it harder to save royalty revenue for future generations if we spend it all on ourselves today. I have proposed an idea to return to municipalities an amount equivalent to the education property tax on an equalized assessment basis. This provides the financial assistance municipalities need while avoiding a certain legal battle over the constitutional rights of separate schools to access property tax.

Will you implement a municipal property tax cap?

Ed Stelmach: I believe the people hold elected officials accountable not the courts.

Will any new provincial tax or an increase to an existing tax only be approved through a successful provincial referendum?

Ed Stelmach: Budget questions will be made by cabinet and caucus, and the people will hold us all accountable for the decisions made on their behalf.



Ed Stelmach on municipal property tax cap

"I believe the people hold elected officials accountable not the courts."

Spending

Will you cap annual provincial spending increases to a rate of the combined growth in the inflation and population rate?

Ed Stelmach: This is, in part, one good measure to track overall spending, but doesn't reflect a third component of changing demand. This one dimensional cost driver analysis is not complete because it assumes that everything about the economy and the population remains static. For example, infrastructure is not just rising with inflation, we have to build bigger and more complicated projects (like the ring roads with massive interchanges) and health care costs rise because the average age of the population is aging and demanding more and ever more technologically advanced services.

by Scott Hennig
Alberta Director

Will you restrict the government from increasing spending during the fiscal year?

Ed Stelmach: It is a good budgeting principle to pre-allocate surplus revenues to defined savings purposes such as the capital account for infrastructure.

Will you legislate a minimum of 50 per cent of resource revenues be saved each year?

Ed Stelmach: As any financial planner will tell you, you need to define a purpose for your savings so you can commit to a plan allocating income to savings and set objectives for the return on those investments. I believe we need to have a debate to define the purpose for the Heritage Fund so that it is clear what we need to invest. I have also proposed that we need to have a full debate on an Alberta Pension Plan. Once we have defined the investment needs we can dedicate the appropriate amount of resource royalties to the savings plan.

Democracy/Transparency Reform

Will you introduce fixed election dates for Alberta's general elections?

Ed Stelmach: This is something that I would encourage our party to debate.

Will you introduce legislation giving citizens the right to recall their MLA?

Ed Stelmach: Again, I would seek the advice of my party through active and inclusive debate.

Will you introduce citizens' initiative legislation giving citizens the right to initiate and vote in a referendum on issues of importance?

Ed Stelmach: I believe that elected people have to be held accountable for decisions of the government.

Will you disclose a complete list and dollar amount of all campaign contributions you have received during this PC leadership campaign prior to the first ballot vote?

Ed Stelmach: In the absence of any guidance from the Party on leadership election contributions and expenses, I asked my campaign to develop a policy that would be communicated to all potential donors. I endorsed this policy, my team raised funds based on this commitment and I will keep my word. In short, we advised donors that after the election concluded, we will publish the list of cash and in-kind contributors (after seeking their consent) and all of our campaign expenses in a full, consolidated report.

Will you introduce legislation requiring pre-election campaign contribution disclosure for all future elections (general provincial, municipal and party leadership elections) in Alberta?

Ed Stelmach: The important principle is disclosure. And practically, a large proportion of fundraising occurs during the writ period and wouldn't be picked up in pre-election reporting. I would prefer spending limits on leadership campaigns rigorously enforced with full accounting and disclosure. I will encourage the Party to debate these ideas and consider changes to our Party Constitution.

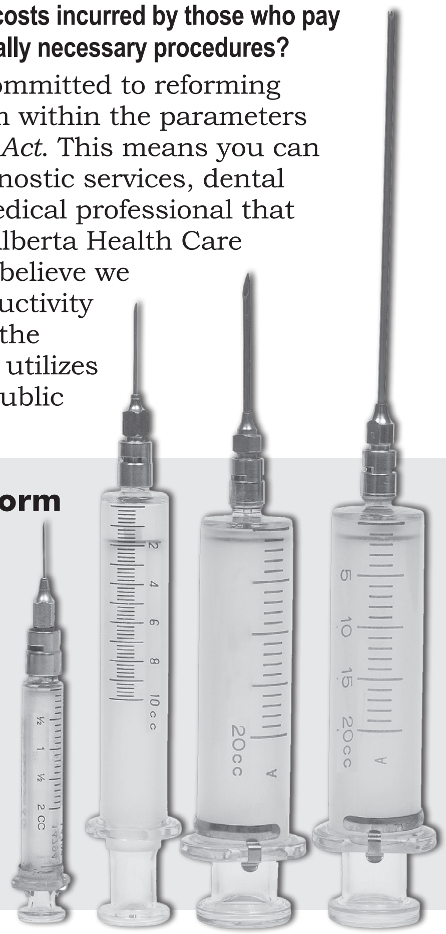
Health care Reform

Will you give Albertans the ability to purchase private health insurance to cover costs incurred by those who pay for timely access to medically necessary procedures?

Ed Stelmach: I am committed to reforming the health care system within the parameters of the *Canada Health Act*. This means you can purchase private diagnostic services, dental services, and see a medical professional that has opted out of the Alberta Health Care Insurance program. I believe we need to focus on productivity improvements within the current system which utilizes a mix of private and public delivery. ■

Ed Stelmach on Medicare Reform

"I am committed to reforming the health care system within the parameters of the *Canada Health Act*. This means you can purchase private diagnostic services, dental services, and see a medical professional that has opted out of the Alberta Health Care Insurance program."



imagine
a Saskatchewan without handouts

by David MacLean
Saskatchewan Director

The Saskatchewan government has launched yet another expensive advertising campaign. This time the goal is to persuade you, dear taxpayer, to be very upset about how the federal equalization formula rips off Saskatchewan.

The province plans to spend hundreds of thousands of dollars to put pressure on the federal government … and they're not afraid of exaggerating a little to make their case.

In fact, if you believe the government, handouts from Ottawa will help us all achieve our dreams and desires – including lower taxes. Indeed, the only thing holding us back as a province is the equalization program. The government's website says so!

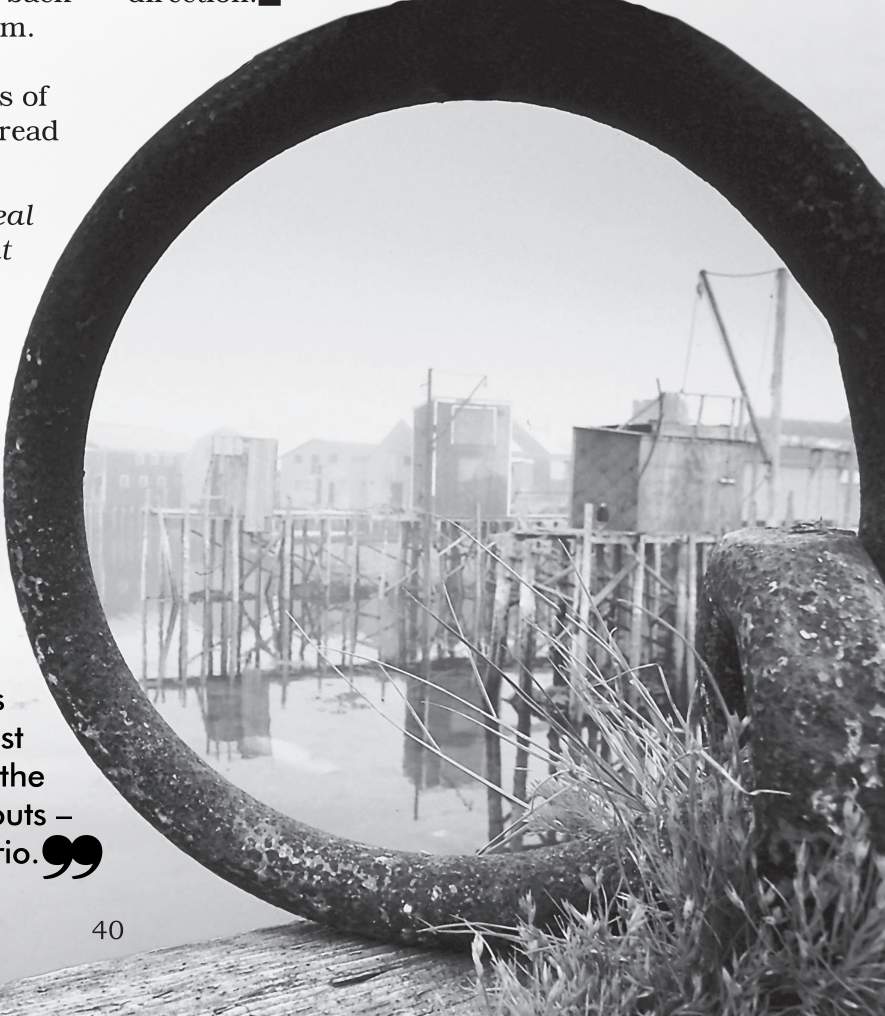
You can almost hear the gentle chords of John Lennon's *Imagine* playing as you read the government's campaign message:

> *"Imagine how a fair equalization deal could help us build the province that we have all dreamed of, a strong and vibrant province where our young people will find their futures..."*

Since when did our collective dreams and ambitions become contingent on handouts from Alberta and Ontario?

In truth, equalization does the exact opposite of what is promised. It actually creates incentives to *not* develop a strong and vibrant economy. Think of it this way: If equalization was everything the province made it out to be, wouldn't the Atlantic provinces be Canada's juggernaut? They have, after all, been recipients of generous handouts for decades.

Canada's most prosperous provinces are precisely the ones that are least reliant on handouts — Alberta, British Columbia and Ontario. Now *imagine* a campaign to move Saskatchewan in that direction.■



> "If equalization was everything the province made it out to be, wouldn't the Atlantic provinces be Canada's juggernaut? They have, after all, been recipients of generous handouts for decades. Canada's most prosperous provinces are precisely the ones that are least reliant on handouts – Alberta, British Columbia and Ontario."

Auditor spots more waste

The most recent report from Saskatchewan's provincial auditor again documents a litany of waste in government. Here are some samples:

- On the eve of the last election Saskatchewan Health ordered health authorities to give some employees an unjustified raise based on yet-to-be finalized "pay equity" negotiations. The employees were politely asked to return the money if the negotiations turned out to be less lucrative. Lo and behold, the raise given to employees turned out to be a little rich. Now the auditor is questioning whether that money can be reclaimed after all. Taxpayers are out $4 million.

- Despite repeated calls by the auditor for all departments and crowns to tighten up their businesses and improve supervision of employees, SaskPower was fleeced by a money-grubbing employee for $190,000. The auditor says nobody was watching the employee's expenses.

- Saskatchewan Crop Insurance overpaid three producers by $286,000 because the agency failed to thoroughly confirm claims made against the program.

- The Department of Community Resources dishes out $86 million a year to community-based organizations without requiring the organizations meet performance measures or targets. This is how scandals like the Metis Addictions Council and Oyate Safehouse are allowed to happen. ■

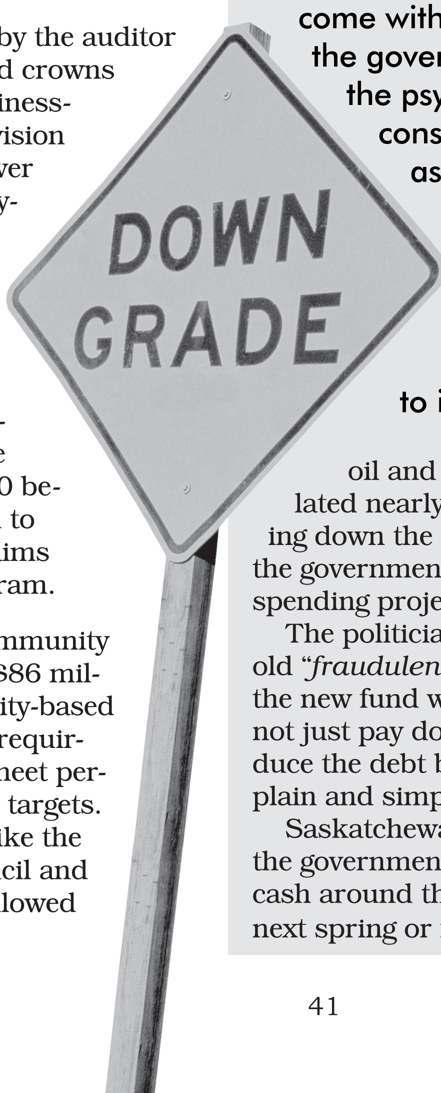
More shell games ...
from NDP government

For years, the government has attempted to hide deficit budgets by withdrawing from something called a "fiscal stabilization fund." When the government spent more than it earned in a given year it would "withdraw" from the fund to call the budget balanced. In reality, however, the province was actually going further into debt. And it still is!

You see, the fiscal stabilization fund was an accounting trick aimed at solving a public relations problem. Taxpayers – and importantly voters – don't like deficits.

To avoid criticisms that come with running deficits, the government created the psychological construct known as the "fiscal stabilization fund" which actually had no money in it or account number assigned to it.

"To avoid criticisms that come with running deficits, the government created the psychological construct known as the 'fiscal stabilization fund' which actually had no money in it or account number assigned to it."



When politicians spent more than they taxed, they would take money from the "fund" to pay the bills. In reality, they were just piling up more debt.

More recently, the province announced a plan to correct the problem we all know as the "*fictional* stabilization fund." Due to high oil and gas prices the province has accumulated nearly a $1 billion in cash. Instead of paying down the province's massive accumulated debt, the government has set aside $887 million for future spending projects.

The politicians are asking you to forget about the old "*fraudulent* stabilization fund" and to embrace the new fund which really does have money in it. Why not just pay down debt with this money so we can reduce the debt burden of future generations? Politics, plain and simple.

Saskatchewan is unofficially in election mode and the government wants the flexibility to spread enough cash around the province before going to the polls next spring or fall. ■

Blowing smoke on reserves

There was little to no discussion in the last civic election on the issue of urban reserves, or as Mayor Katz likes to call them "economic development zones." Katz toured the urban reserve in Saskatoon and sang its praises declaring the playing field level. Sadly, Katz and other advocates of the urban reserve system, are wrong.

by Adrienne Batra
Manitoba Director

Thanks to a new VLT lounge to be operated by the Swan Lake First Nation which recently received reserve status for a parcel of land in Headingley, the issue of urban reserves is creeping closer to Winnipeg.

Since reserve status has been granted, the property is considered an Indian reserve subject to all the provisions contained within the *Indian Act*; such as freedom from taxation and the ability for a band council to pass by-laws that supersede local laws. Swan Lake is waiting for a thumbs up from the federal government regarding a request that would grant the Band authority to designate health policy, including designating smoking areas as they wish.

So not only will there be an un-level playing field on the tax front, if Swan Lake gets its green light from the federal government, there will be multi-tier smoking policy as well. Interestingly, this all comes on the heels of the provincial government's decision to appeal the August 2006 ruling by Manitoba Court of Queen's Bench Justice Albert Clearwater who struck down the smoking ban that exempted Indian reserves.

> "Swan Lake is using section 81(1)(a) of the *Indian Act*, which states native bands can pass by-laws 'to provide for the health of residents on the reserve,' to – ironically- keep smoking an option in their lounge."

The federal government has exclusive jurisdiction of Indians and the lands reserved for Indians. That said, Section 88 of the *Indian Act* allows for all laws of general application in any province to be applicable to Indians in that province. There is, however, an exemption when the provincial law is in contravention of the terms of any treaty or any other Act of the Parliament of Canada.

Swan Lake is using section 81(1)(a) of the *Indian Act*, which states native bands can pass by-laws "to provide for the health of residents on the reserve," to – ironically- keep smoking an option in their lounge.

Why the mayor and the provincial government tout urban reserves as an equitable means by which to get natives working, is anyone's guess. In the meantime, Winnipeggers will watch the Headingley experience with great interest.■

Paying mo

The latest report form the Canadian Institute for Health Information (CIHI) shows health care spending in Canada will reach $148 billion this year. Manitoba has the second highest per capita spending for health care at $4901, accounting for fourty-two cents of every tax dollar spent in the province.

Manitoba's health care budget last year alone increased by 6.4 percent, more than double the rate of inflation, and if we continue to spend this way on a government monopolized system, we will break the

Where Have You Gone Opposition?

When Hugh McFadyen was elected as leader of the provincial Tories, there was great hope that a viable alternative to the NDP was finally going to be presented to Manitobans. Unfortunately, it appears not to be the case on two fronts.

Certainly the Opposition has spoken about broad-based tax relief, something Manitoba desperately needs, but some of their policies not only mirror that of the NDP, the Tories propose to outspend them! Take for example the tuition freeze; brought in by the NDP in 2000, it has starved universities for revenue and placed an even larger burden on taxpayers. In response to the freeze, universities have increased student fees in other areas. So the reality is students are getting dinged anyway. The Tories, however, don't see it that way. Apparently, it is just fine with them to maintain the freeze if they are fortunate enough to win government in the next election.

> “They [Tories] declared compensation to Crocus shareholders who lost millions of dollars. The NDP hasn't even done that.”

On the never ending saga of the defunct Crocus Investment Fund, nary a day passed during the fall session of the legislature when a question wasn't asked to the NDP about who knew what and when. But Tories took it one step further – in hopes of currying favour with the electorate, they promised compensation to Crocus shareholders who lost millions of dollars. The NDP hasn't done that even. As one Manitoba blogger aptly put it: “If people who lost money investing in the Crocus Fund want to recover their losses, they can sue the board of directors personally, they can sue the Manitoba Federation of Labour which controlled the board, they can sue their financial advisors for bad advice.”

An election is just around the corner for Manitobans and it appears voters will be given a choice between the NDP and NDP-lite.■

re for less service

bank by 2047 where health care costs will be 100 percent of the provincial budget.

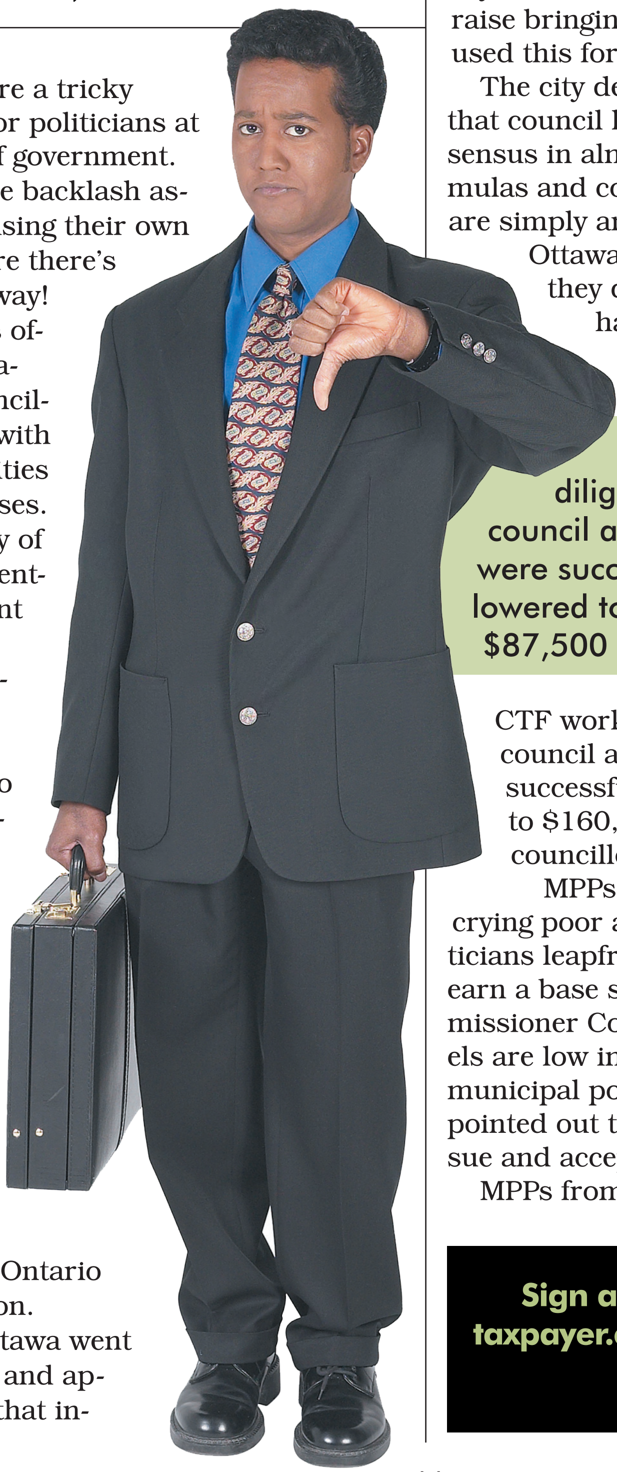
As we hear the Doer government prattle on about all of the great strides we have supposedly made in health care, wait times continue to grow, doctors and nurses are still leaving the province. Worse, Manitobans are not getting value for the high tax bills they pay.

Blinded by ideology, the NDP government refuses to recognize the futility of our current health system; looking abroad to find alternatives seems to be an anathema to them. But the reality is that there are 29 countries with better health systems, according to the most recent study by the World Health Organization. Australia, New Zealand, Singapore, Sweden, and the United Kingdom have universal access to health care. All of these countries have shorter wait times, better access to technology and better health outcomes than Canada. All of them spend less on health care than we do.

The status quo crowd pretends our only choices are our current failing system or the American one. The fact is we can learn from many countries how to build a better system at a lower cost.

Hey MPP's

Ask Taxpayers if you deserve a raise!



Pay raises are a tricky business for politicians at all levels of government. Very few want the backlash associated with raising their own salary. But where there's a will, there's a way!

Municipalities often compare salaries of their councillors and mayor with other municipalities to justify pay raises. Recently, the City of Toronto implemented an 8.9 per cent pay raise for the mayor and councillors. The city defended these raises pointing to other greater Toronto area mayors and councillors who make tens of thousands of dollars more and arguably have less responsibility. The raise was rubber stamped a mere month before the 2006 Ontario municipal election.

The City of Ottawa went one step further and applied a formula that included the salaries of Members of Parliament (MP), federal cabinet ministers, Members of Provincial Parliament (MPP), provincial cabinet ministers, big city mayors and city councillors. The salary for Ottawa's mayor would have jumped to $172,000 from $140,000 and city councillors would have received a $24,000 raise bringing their salary to $96,600 had they used this formula.

The city defended the pay raise on the basis that council has not been able to come to consensus in almost a decade. However, these formulas and comparisons to other jurisdictions are simply an attempt to save political face. If Ottawa's mayor and city council believe they deserved a raise then they should have put it to voters in the most recent municipal election. Your CTF worked diligently against Ottawa's council and mayoral pay raise and were successful in having the salaries lowered to $160,000 for mayor and $87,500 for councillors.

"Your CTF worked diligently against Ottawa's council and mayoral pay raise and were successful in having the salaries lowered to $160,000 for mayor and $87,500 for councillors."

MPPs at Queen's Park were next in line crying poor as they watched municipal politicians leapfrog their salaries. Ontario MPPs earn a base salary of $86,860. Integrity Commissioner Coulter Osborne agreed salary levels are low in comparison to federal MPs and municipal politicians. However, he correctly pointed out that MPPs have to deal with the issue and accept political responsibility.

MPPs from the Liberal and PC parties de-

Sign a petition online at www.taxpayer.com opposing the 22% pay raise for MPPs

cided they deserve 75 per cent of what their federal counterparts bring in. However, instead of consulting with voters in the upcoming provincial election they fast-tracked legislation to implement the raise before Christmas.

The past PC government, under the leadership of Premier Eves, attempted to institute a 25% pay raise to play "catch-up" to municipal politicians and federal MPs. He tried to sneak this proposal through prior to the 2003 election but your CTF fought hard against it. The pay raise was squashed and Eve's PC party paid a huge political price for trying to pass it under the radar.

by Neil Desai
Ontario Director

Politicians must provide taxpayers transparency in the process to raise their compensation. Tying salaries to average earnings of Ontarians would remove the conflict out of politicians setting their own salaries. Also, it would provide incentive to manage the economy in a prudent manner. ■

Government's response out-right ugly

Ontario Auditor General Jim McCarter released his 2006 report and it didn't bode well for crown corporations in the province. For the first time the auditor general had the power to open up the books at hospitals, colleges, children's aid societies and Hydro One to conduct value for money audits. His findings at the latter: Damning.

The audit revealed $127-million charged to Hydro One credit cards without receipts. Hydro One President and CEO Tom Parkinson ran up $45,000 in personal expenses through his assistant's corporate credit card. Not only did this avoid internal audit, Mr. Parkinson was no less the one approving his assistant's expenses!

Unfortunately, expenses are just the tip of the proverbial iceberg. Tom Parkinson received an annual salary of $1-million and a bonus of another $500,000. Hydro One defended the salary as necessary to lure top level managers from the private sector. Parkinson was also given a perk package including use of the Hydro One helicopter for personal use and a round trip flight to Australia annually. First class no doubt.

Instead of facing the fire, Tom Parkinson offered his resignation. However, he did not leave without a hefty parting gift. In exchange for his resignation he was awarded two years' salary and bonus. This adds up to $3-million. Energy Minister Dwight Duncan stated "this is the least costly way of resolving the situation."

Minister Duncan is mistaken. Firing Parkinson with cause would have saved Ontario ratepayers $3-million. It would also have sent a clear message to Ontario bureaucrats and employees at crown corporations that treating ratepayers' dollars like a personal piggy bank will not be tolerated.■

Sign a petition online at www.taxpayer.com demanding a full forensic audit of Hydro One to recover all expenses incorrectly filed.

Quebec Taxpayers *Out* of pocket for *Out*games

by Claire Joly
Quebec Taxpayers League

One would expect governments to learn from past mistakes. The 1976 Montreal Olympic Games are infamous for their extravagant cost overruns and huge debt that took 30 years to pay. So any Quebec politicians would know better when it comes to international sporting events, right? Wrong!

In 2005, Montreal taxpayers picked up the tab for the World Aquatic Championships' deficit. Now, before the ink is dry on 2006, Quebec taxpayers will again be picking up a deficit, this time for the 2006 World Outgames.

The 2006 Outgames are a major sporting and cultural event that evolved out of a dispute over the Gay Games. With about 12,000 participants, it was first touted as a financial success. It's only after the event that a provincial government auditor examined the books and learned that the event actually ran a $5.3-million deficit on a total budget of $15 million. Half that total was government money to start with!

> "If an event is profitable – as all organizers claim they will be – then they should have no problem attracting private investors to finance it."

More disturbing, taxpayers learned the Outgames had been bailed out twice shortly before they started — one time only a week before the opening ceremony. The organizers had gone to elected officials and whined about so-called cash flow problems. Without help, they claimed, the event would have to be cancelled. It worked. The organizing committee was given a $1 million line of credit from the city of Montreal, and a $1.5 million line of credit from the provincial government. No one will ever see the colour of that money again. Yet, as in the case of the World Aquatic Championships fiasco, there were obvious warning signs.

A provincial government spokesperson suggested a government comptroller be sitting on an organizing committee's board when public money is granted to future events of importance.

Uh … pardon? This is not government policy already? Indeed, it seems that elected officials routinely grant millions of our tax dollars without taking measures to ensure they are not squandered. This is

shocking. There are no excuses for this kind of irresponsibility. Be assured the Quebec Taxpayers League will strongly object next time elected officials contemplate becoming financiers to an international sporting event without safeguards in place. Enough with the fiascos already!

If an event is profitable – as all organizers claim they will be – then they should have no problem attracting private investors to finance it. If they can't, that's probably a clear indication it's a bad venture for governments to get into.

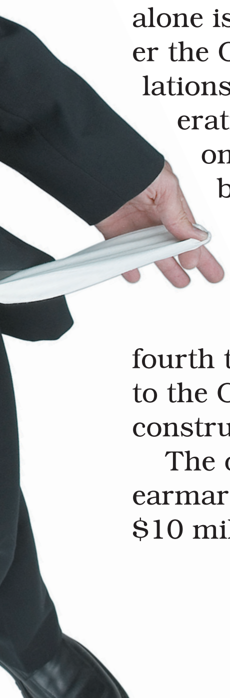
It's that simple.■

The tax that would not die

Introduced in 1917, the federal income tax was supposed to be a temporary war measure. Quebec taxpayers now know that some things never change and that the problem with temporary taxes is that they soon become permanent taxes. Case in point: the cigarette tax instituted to pay off the 1976 Olympic debt.

When 2007 rang in, the Olympic debt had finally become a memory. After 30 years and over $2 billion in payments, taxpayers were free at last! But not so fast. The cigarette tax instituted to reimburse the Olympic debt continues to live on. Unfortunately, politicians just can't resist spending a tax dollar.

A lot of people have asked where that money will be going, so here are our findings. We know that the Olympic tax generates about $80 million a year. The government claims that roughly half this amount has to be spent on … Olympic Park facilities!



$20 million a year alone is needed to cover the Olympic Installations Board's operational deficit, because no one has figured out how to turn those buildings — and the stadium in particular — into profitable operations. Most of the facilities need renovations and the stadium roof has again to be replaced — for the fourth time in 20 years. Sadly, there is more to the Olympic's financial legacy than initial construction cost overruns.

The other half of the Olympic tax will be earmarked for new spending programs. $10 million a year will be dedicated to preserving and presenting Quebec's built heritage. Another $24 million will be used to fund the building of local sporting facilities, like pools, soccer fields or indoor ice rinks. This means municipal bureaucrats will be spending more time fighting over provincial subsidies instead of finding ways to make the most of the money they already collect in taxes. They should rather follow the example of the town of St. Lazare, west of the Montreal Island. Some private partners were all the town needed to have a brand new sporting center built without a penny coming from taxpayers.

Finally, the remaining $6 million from the Olympic tax will be put aside each year to finance major sporting events and support city bids to obtain them. What a twisted idea!! In light of all the financial fiascos we had to face, we're going to actually spend tax dollars to promote more of them!■

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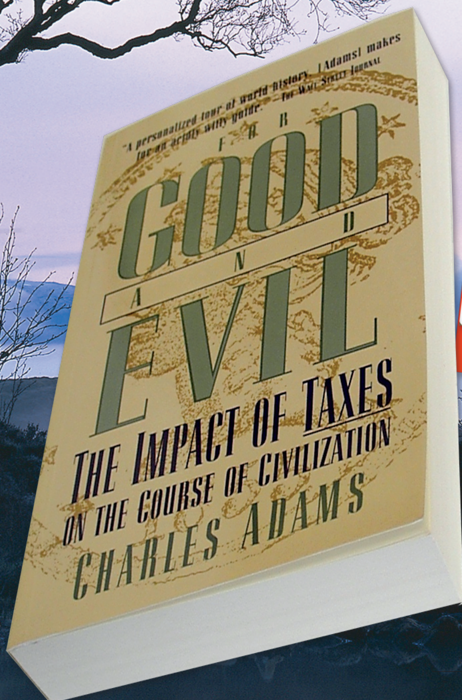

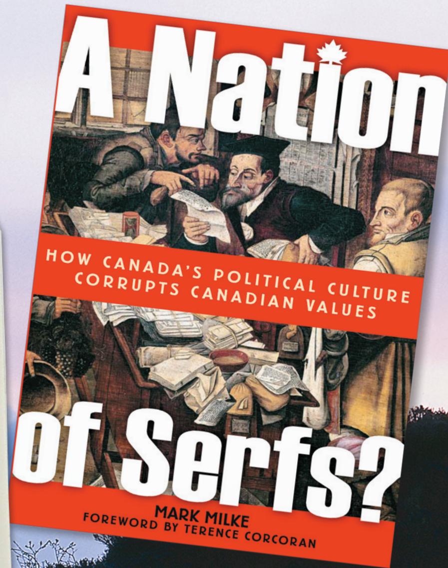

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